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ABSTRACT

This study examines spending on children and youth in Texas by constructing a comprehensive children's budget for 1978 spending. The study attempts to include not only data on spending through State government sources, but also other public sources of funds, charitable spending, and indirect Federal subsidies through tax exclusions. Total spending is examined by purpose and source in Chapter 1, followed by a description of recipients of public expenditures and some of the rationales for these expenditures in Chapters 2 and 3. Next, the extent of community-based rather than institution-based programs is examined for such areas as mental retardation, delinquency, and substance abuse. Chapter 5 examines the extent of preventive as opposed to treatment programs. The final two chapters analyze the importance of nonservice spending such as administrative expenses, and describe spending in Texas in relation to the State's administrative structure for children's programs. Appendices include data sources, and explanations of how estimates for county and local expenditures, tax expenditures, and private philanthropic expenditures were made. (CG)

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Far, Far to Go:

Public Spending for Children and Youth in Texas

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W. Norton Grubb and Patricia Griffin Heilbrun
with Christine Galavotti

Special Project Report

Lyndon B. Johnson School of Public Affairs
The University of Texas at Austin

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W. Norton Grubb and Patricia Griffin Heilbrun
with Christine Galavotti

Special Project Report Series

Lyndon B. Johnson School of Public Affairs
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Introduction

During the 1970s and early 1980s, concern for the American family reached near-hysterical levels. Public discussion of the family became a ritual; data on divorce rates, maternal employment, declining birth rates, increasing juvenile delinquency, teenage pregnancy, declining test scores, increasing welfare rolls, and the collapse of moral values were part of every discussion of the family crisis. One group forecast the "death of the family," while others rediscovered the "strength and resiliency" of family life and declared that families were "here to stay." As in earlier periods of family "crisis"—the antebellum period between 1830 and 1860, the progressive era around the turn of this century, and the Great Depression—alarm over the family has focused most intensely on the fear that *children* are harmed by the social and economic changes affecting family life. For example, increasing rates of employment by women, increasing divorce rates, and television have been criticized more for their effects on children than for their consequences for adults. Since Americans have historically associated family life with childrearing responsibilities, periods of "family crisis" have more than anything been interpreted as periods of crisis in childrearing.[1]

Inevitably, public discussion of childrearing problems has moved to discussion of public resolutions. Every period of crisis has generated the imperative for government to act on behalf of children, couched in the rhetoric of providing for children as "our most precious natural resource." As Lyndon Johnson extolled our country's efforts in education:

> Since the early presidency of Thomas Jefferson, this nation has been committed—as no nation on earth—to education of all our children. We have valued the minds of our young as America's richest resource, and we have honored that value by dedicating much of our wealth to the development of those minds.[2]

The rhetoric of developing our "natural resources," of protecting innocent children from the dangers around them, and of providing them equality of opportunity so that all might have a fair chance of adult success has motivated the "child savers" and reformers of all periods and has promoted the view that children and youth deserve special public attention when other groups do not. In response, a series of institutions reflecting public responsibility toward children has emerged: the public schools in the nineteenth century; the juvenile justice system, the expansion of the schools and rudimentary welfare programs in the progressive era; and the expansion of welfare programs as part of the New Deal. In the post-World War II period, the programs of the Great Society further expanded public funding for children and youth: Medicaid, the expansion of Aid to Families with Dependent Children (AFDC), social services, and compensatory education programs were among the major changes. This consistent increase in public responsibility for children has addressed those problems which are beyond the ability of individual families to resolve: poverty, unemployment, discrimination in education, inadequate access to health and social services, and inadequate nutrition.

However, the simple expansion of programs for children and youth has not necessarily resolved the problems which children face. Some programs have proved inadequate to the demand; for example, the expansion of federally funded child care through Title XX, through Head Start, and through many smaller programs, did not keep pace with the tremendous increase in maternal employment during the 1960s and 1970s. In other cases external events made the expansion of federal programs insufficient. For example, increases in AFDC spending were just barely sufficient to compensate for a deterioration in the before-transfer income distribution. As a result, poverty rates for children were no lower in 1974 than they were in 1965, and by 1978 children suffered the highest rates of poverty—17.2 percent for children under 5, and 15.5 percent for children 5 to 17—of any age group.[3] In some instances, programs did not reach those most in need: particularly before the elimination of the purchase requirement in 1978, many eligible children did not receive the food stamps to which they were entitled, many school districts did not provide school lunch and breakfast programs, and screening programs under Medicaid reached only a tiny fraction of the children they were meant to serve.

Other problems seem intractable despite decades of efforts: the educational attainments of black and white children narrowed considerably in the postwar period due to integration efforts and compensatory programs, but black and Hispanic children were still second-class citizens within the schools. Despite the undeniable benefits of public programs for children, many problems remain. Whatever the advances since the 1950s, it is difficult to claim that Americans have lived up to their rhetoric on behalf of children and youth.

At the same time, the expansion of programs—especially federal programs—has created new problems of governability. The system of services for children and youth has grown tremendously complex, with funds originating on many levels of government for many different purposes. The sheer number of programs has made it difficult to understand the entire range of programs for children and youth and has created uncertainty and confusion for government administrators, service providers, and recipients alike. The proliferation of federal programs in the 1960s and 1970s, most of which take the form of federal grants to state (and local) governments, caught many state governments unprepared and unable to administer funds wisely and efficiently. At the local level, where services are provided, the multiple sources of funding and the variety of service providers generated a hideously complex system; in turn, this has stimulated complaints about the lack of coordination among programs, about the possibilities for some services being duplicated while others are omitted, and about the lack of information that makes some children unable to receive the services they need.[4]

The dilemma of expanding programs while both failing to resolve old problems and creating new ones has led to several reactions. One common response from conservatives has been to dismiss the possibility that government programs can solve social problems, and to press for the reduction of many social programs—a response which has been relatively successful under President Reagan. Another approach has been to simplify existing grants, especially by combining federal programs into block grants and giving the states more responsibility for deciding how federal funds are to be spent. This approach began with the "new federalism" of Richard Nixon, especially with the enactment of revenue sharing and block grants for social services (Title XX) and employment and training programs (CETA), and has gained substantial momentum under President Reagan. Although President Reagan's efforts to include almost all social programs in block grants were unsuccessful, the inclusion of many health and education programs in several block grants confirmed the general political appeal of moving toward this policy.

Both the proliferation of federal programs and the move toward block grants has placed greater responsibilities on the states. One measured response to both the complexity of children's programs and to greater state responsibility has been to assess at the state level the existing programs for children and youth, to establish how much is spent for what purposes, what problems arise, and how they can be resolved. In a number of states, these assessment efforts have generated studies of spending patterns for children and youth. These "children's budgets" have varied in their size and complexity, though all of them reflect a simple but critical assumption: if programs for children and youth are to be effective, they must be rationally designed and well administered; if these goals are to be met, it will first be necessary to assess what funding priorities have been established and to analyze the problems which have arisen so far. Our goal in this study is to analyze public spending for children and youth in Texas, to assess the priorities which Texans have implicitly established for their "most precious natural resource."

Children's Budgets in Other States

The existing analyses of "children's budgets" differ enormously. Some are merely compendia of what programs are available in a state, with an estimate of spending levels; several appear to be political documents; and there is great inconsistency among them in the programs they include and the analyses they perform.[5] Nonetheless, several general conclusions are possible.

First and most obviously, spending for children and youth is dominated by education spending (elementary, secondary, and higher education). As a result, many findings which seem interesting prove to be simple statements about education funding; for example, the finding that some states spend a relatively large proportion of their total budgets for children and youth simply reflects the fact that state aid to local education and state support of higher education are the largest programs in many state budgets. Furthermore, the remaining noneducational programs are dominated by a relatively few large programs—for example, Aid to Families with Dependent Children, food stamps, Medicaid, and Social Security (which surprisingly enough supports a large number of disabled children and children whose parents have died). Thus the welter of programs which many people first think of as programs for children, and which cause the

most concern about the lack of any coherence or coordination—the large number of child care programs, services to abused children, mental health and mental retardation programs, recreation programs, and so on—in practice account for a relatively small fraction of total spending, even if the dollar amounts seem large.

Second, there appears to be great variation among states in their spending for children and youth. Some states (e.g., California and New York) are relatively generous with their own funds, with the result that overall levels of spending are higher, reliance on federal funds is lower, and noneducational programs—particularly those aimed at poor children—make up a relatively greater fraction of total budgets. Conversely, in states with histories of low spending for social programs (such as Ohio and Texas), overall spending levels are low, the reliance on federal funds is high, and nonschool programs are relatively small. As a result of these variations, it is usually difficult to generalize about patterns of spending among states; examination of spending patterns must usually be confined to individual states.

However, several reports have asserted that there are substantial differences in spending levels *within* states because of state administrative practices and the varying unwillingness of local communities to fund children's programs. These inequalities have been confirmed in a rudimentary fashion in California, and more thoroughly in Texas;[6] their implication is that the programs available to children should be examined at the local level, not the state level, because intrastate variation may make state average spending levels misleading. The finding of spending differences both among states and within states parallels the analyses of spending inequalities for elementary and secondary education, analyses which have generated numerous lawsuits (beginning with *Serrono* v. *Priest*) and pressure for federal funding to reduce interstate inequalities. The existence of inequalities in nonschool programs is a matter of some concern and suggests a reform agenda that may still be several years away.

In examining spending for children and youth, several methodological problems arise consistently. Most obviously, the data problems are formidable. The data are poor, incomplete, scattered, and inconsistent; the various sources of funding—including federal, state, county, and local governments; school districts; special districts, such as hospital districts; and charitable organizations—report different kinds of information. The process of collecting all the relevant data is tedious and necessarily imperfect, so that results are unavoidably imprecise. For example, one of the most basic problems in constructing children's budgets is separating the amounts spent on children and youth from the amounts spent on adults, for the many programs which serve all age groups— most programs do not collect such data, and crude estimates are therefore necessary.

Finally, the analysis of most children's programs is still in an elementary stage—at least compared to the analysis of education, which has become increasingly sophisticated in the past two decades. The basic questions we want to ask about spending patterns, the real usefulness of compiling children's budgets, and the political implications of this analysis still remain obscure. As a result of the lack of any analytic framework, much of the work which has been done so far generates enormous amounts of information that is difficult to absorb. Some of the most basic issues are still completely intractable. In particular, service quality still cannot be defined in most cases, and the question of what providing a particular service does for a child—or what the consequences of denying services are—is still largely unexamined.

Nor is it clear that these issues can ever be effectively addressed. For example, an enormous amount of research on the effects of school resources has generated shifting and inconsistent results, and the only reliable evidence on the effects of income support programs has come from the enormously expensive negative income tax experiments. Thus there is every reason to believe that analyzing service quality and program effects for a variety of children's programs will present nearly insuperable difficulties. In the absence of more sophisticated analyses, the examination of programs for children and youth has so far been confined to analysis of spending patterns with an assumption that spending is a good proxy for other consequences we might like to examine.

Although study of programs for children is still in its infancy, the effort is worth continuing for several reasons. First and most obviously, the general feeling that children's programs have developed in a piecemeal fashion, and that the resulting "policy" toward children is incomprehensible and chaotic, is certainly correct. In order to understand what our implicit priorities for children have been, where we now spend money, and how we might change the level and mix of spending for children, it is first necessary to understand what has been in place.

Second, as research proceeds, old questions become clearer (and sometimes get answered) and new questions develop; for example, in this monograph we will confirm several of the findings which others have made, and we will raise a number of new issues—such as the role of charitable giving and the purposes of

public funds—which we hope others will pursue.

Third, the process of working on children's budgets generates other questions which are important in their own right; for example, as part of this project to construct children's budgets for Texas, we have also investigated spending inequalities, within Texas, spending patterns among the states (to provide some information on how Texas responds to federal grants), the extent of "preventive" services, and interrelationships among programs for children and youth.

Finally, analyzing programs itself tends to generate better information and additional interest in pursuing research. The study of children's programs need not remain in its infancy, despite the obvious difficulties.

Analyzing Spending for Children and Youth in Texas

In this study we construct a children's budget for Texas, for fiscal year 1978.[7] We have had the advantage over previous studies of a particularly extensive (though still not complete) data base assembled by the Special Committee on the Delivery of Human Services. We have also tried to be more complete than other studies in gathering data; rather than including only spending which comes through the state government, as many studies have done, we have also tried to include all other public sources of funds, charitable spending, and tax expenditures—indirect federal subsidies through tax exclusions—as well. Finally, rather than simply assembling information on the spending levels of familiar programs, we have tried to analyze spending patterns according to more substantive questions about the purposes and priorities implicit in public spending.

In addition to examining the composition of total spending by purpose and by source of funds in Chapter 1, we have described the recipients of public expenditures in Chapter 2, and some of the rationales for public expenditures in Chapter 3. In Chapter 4 we investigate the extent of community-based rather than institution-based programs, for those functions for which the distinction is most important; and in Chapter 5 we examine the magnitude of programs which can be considered preventive rather than treatment programs. The final two chapters analyze the importance of nonservice spending components (such as administrative expenses) and describe spending in Texas according to the state's administrative structure. Although some of our results are difficult to interpret, they provide a much more complete picture of public spending on children and youth in one particular state than would be possible without such a detailed investigation.

Several characteristics make Texas somewhat different from the other states for which children's budgets have been constructed. Most obviously, Texas spends relatively little on all its programs, and has been particularly chary—one might say stingy—in funding social programs for poor children. For example, Texas has one of the lowest funding levels for Aid to Families with Dependent Children in the nation: in 1978 the annual benefits for a family of four with no other income were $1,680, lower than any states except South Carolina and Mississippi. Furthermore, because of low grant levels Texas has kept the pool of welfare recipients small: 6.1 percent of all poor children in the country live in Texas, according to official poverty standards, but only 2.9 percent of all children on AFDC come from Texas.[8] Similarly, Texas has kept its Medicaid spending for children and youth low by restricting eligibility only to those on AFDC and by providing limited services. As a result, only 2.2 percent of 1978 Medicaid payments for families with children went to Texas, about one third as much as one might expect on the basis of the low-income population in Texas.[9] Only in elementary and secondary education, the area where Texas' commitment to children and youth has been the strongest, does Texas choose to spend significant amounts compared to other states: in fiscal year 1978 school districts in Texas averaged $1,947 per pupil compared to a national mean of $2,002.[10]

Texas is also somewhat different because of its income structure. The mean family income in Texas—$15,008 in 1975, the most recent year for which data are available—is close to the national mean of $16,142, and ranks Texas thirty-second among the states. However, the poverty rate for children was 20.6 percent, considerably worse than the national figure of 15.3 percent, and only nine states have worse poverty rates than Texas.[11] This means that the income distribution in Texas is relatively uneven, with higher proportions of both high-income and low-income families than most of the states. Texas also has a somewhat different racial composition than do other states. Of its total population, 21 percent are Hispanic and 11.6 percent are black, compared to national averages of 5.3 percent and 11.5 percent, The much larger proportion of Hispanics contributes to the high poverty levels in Texas, particularly since Hispanics tend to live in the southern part of the state where unemployment is high and wages are low. Somewhat surprisingly, given the tendency for the Hispanic population to be somewhat younger than the Anglo population, the age distribution in Texas is not particularly abnormal: 36 percent of the population is under twenty and 9 percent is over sixty-five, compared to

national figures of 35 percent and 10 percent.[12]

Texas is a physically larger state than most. Its population is now disproportionately urban, with 73 percent of families living in metropolitan areas compared to a national figure of 68 percent.[13] However, the rural population is spread out over a vast area, so that the state's population density is relatively low—fifty-one persons per square mile in 1978, compared to a national average of sixty-two.[14] This has created special problems for the delivery of services in rural areas, and it is not unreasonable to think that low density may increase the costs associated with service delivery.

Texas has been growing at a rapid pace, as part of the more general shift from the Snowbelt to the Sunbelt; the population growth rate between 1970 and 1979 was 19.5 percent, compared to a national average of 8.3 percent.[15] Because of its large size, high growth rate, and economic power, Texas will probably be of growing importance among the states in the next several decades, rather than the atypical, peripheral state which it has often been considered by those outside the state. Its emergence as a major state provides yet another reason why analyzing programs for children and youth in Texas is important.

Current Changes in Programs for Children and Youth

During the spring and summer of 1981, a new Republican administration in Washington initiated a series of radical changes in federal funding for social programs. Among the most important for children are the proposals to revise the pattern of federal spending by increasing defense expenditures at the expense of social programs, and the efforts to return more decisionmaking power to the states by easing federal regulations and by combining categorical programs into block grants. Among the substantial changes for children and youth which emerged during the summer of 1981 were a 23 percent reduction in federal Title XX funds and the elimination of many related federal regulations (including the requirement of a 25 percent state match) a 13 percent reduction in food stamps, a 34 percent reduction in child nutrition programs, and the creation of three health-related block grants with an overall reduction of 11 percent in health programs; reductions and changes in AFDC and Medicaid were also threatened. Authorizations for a few programs were increased, through the efforts of congressional leaders in opposition to President Reagan's program: child welfare by 41 percent, foster care and adoptive assistance by 10 percent, education grants and Head Start by 10 percent, and Women, Infants, and Children (WIC) by 11 percent.[16] These changes (both the increases and decreases) are still subject to modifications, however, as President Reagan tries to balance the federal budget at the expense of the politically least powerful groups—especially poor children. Over the next several years, these changes—and the funding shifts of state and local governments and charitable organizations in response—will lower spending for most programs (with the possible exception of education) and may alter the sources of funds as federal revenues become a smaller share of total funds for children and youth.

Substantial as they are, these changes are not likely to make the major findings of this report obsolete. First, although the level of funding may fall, we anticipate that the composition of funding will change relatively less, as Texas uses its new discretion to fund existing programs rather than to revise completely the patterns of services offered. Second, many of the major conclusions of this monograph will remain valid—particularly those about the composition of state and local government spending, about the magnitude and composition of charitable spending, and about the role of the federal government relative to the state of Texas. Third, even if the patterns of federal funding change drastically, it remains important to examine state, county, local, and charitable spending, to see their implicit priorities and to predict what the likely direction of total spending will be as federal prerogatives give way to state and local decisions.

Finally and most importantly, whatever changes President Reagan manages to make in social programs will one day be reversed. The history of programs for children is a cyclical one, of crises and incomplete reforms, establishing the conditions for yet another stage of crisis and reform. If Reagan succeeds in cutting the heart out of social programs, this will set the stage for another period of crisis because the problems which social programs address—poverty, malnutrition, poor health, inadequate education, discrimination—are not problems which can be resolved in any other way than through government action.[17] When the dismantling of social programs initiated by Reagan is reversed, then it will be useful to know what programs for children and youth existed before the dismantling began. Only with this knowledge can we avoid the problems which have developed from the unsystematic proliferation of programs and the intergovernmental chaos which now characterizes most programs for children and youth.

1. Total Social Spending for Children and Youth in Texas

In examining public spending for children and youth, the first and most obvious question is how much is spent. In addition, information about the purposes of public funds generates some indication of our implicit priorities for children and knowledge about sources of funds necessary to establish the priorities at different levels of government. The funding patterns we examine in this section offer some surprises, since the composition of total spending and the sources of funds for children and youth are rather different than most people realize.

In assembling data on spending patterns, the variety and complexity of funding sources complicates the task. Some federal funds flow directly to recipients, such as Social Security payments to disabled children and survivors. Some flow to state governments for redistribution to individuals or families, such as funds for Aid to Families with Dependent Children (AFDC) and food stamps. Some federal funds flow directly to local units of government, bypassing the state government. For example, Comprehensive Employment and Training Act (CETA) funds go directly to local prime sponsors, which can be either county governments, municipal governments, or consortia of local governments; to complicate the pattern even more, some CETA funds flow to state governments for use in areas not covered by local prime sponsors. Some federal funds go directly to local governments or private nonprofit agencies, as does Head Start money.

State revenues are somewhat less complex, since there are not so many different funding paths. The largest amount of state revenue is state aid to school districts; other state funds are used in federal programs (e.g., AFDC and Title XX) as required state matching funds. Still other state revenues support programs which have always been state funded, such as state mental hospitals and schools for the mentally retarded. Of course, local units of governments provide tax revenues of their own for children and youth; elementary and secondary education provided by independent school districts is the largest such expenditure.

County tax revenues (largely from property taxes) may be used in a variety of ways to support children and youth. In Texas, county spending for child welfare programs, for social services, and for youth probation and other delinquency programs is especially important, and many counties also fund public hospitals which are used by children and youth. Municipalities also provide a variety of services from local property taxes, especially recreation programs, libraries, and some public hospitals. In addition, two kinds of special districts in Texas have taxing power and provide some services for children and youth: water districts, which provide some recreational facilities, and hospital districts. Finally, housing districts administer public housing, but they receive all their funding from federal and local governments. Appendices A and B describe the data for these funding sources.

In addition to direct governmental funding, two other sources of expenditures for children and youth are usually neglected in studies on public spending. One is charitable spending. Public programs and privately supported programs for children are in many cases identical: charitable funds support child care centers, health clinics, hospitals, family planning, mental health facilities, and higher education, just as public funds do. Many programs (especially in social services) are funded with a combination of public revenues and charitable giving. It would therefore be misleading in describing the resources publicly available to children and youth in Texas to include governmental programs but not their charity-supported counterparts. Also, charitable spending is still "public," even though it is not governmental spending: programs funded by private giving are generally available to all children or at least to a wide range of children—unlike the spending of parents for their own children, for example. Since we have included charitable spending, we have in effect analyzed social or nonparental spending for children and youth in Texas, rather than governmental spending alone. Appendix D describes the detailed procedures for estimating charitable spending.

A second neglected category of expenditures for children and youth is even more hidden than charitable spending. Tax expenditures are subsidies through the federal income taxes, both the personal income

tax and the corporate income tax. The most obvious example, which clarifies why tax expenditures must be considered, is the child care tax credit. Under this provision as it operated in 1978, parents could reduce their income taxes by 20 percent of the cost of child care (up to a maximum of $400 for one child); in this way the federal government reimbursed parents for one-fifth of their child care costs, as surely as it subsidized the cost of child care for those low-income parents eligible for Title XX child care or Head Start. Tax expenditures, which operate through credits, deductions, and exemptions in the federal income tax system, are drains on the federal treasury in the sense of taxes not collected, just as appropriated expenditures are drains on the treasury in the sense of tax revenues which are then spent. To be sure, tax expenditures are considerably more hidden than are direct appropriations: the dollar amounts are difficult to estimate; they are not subject to the annual appropriations process, and once legislated tend to go unnoticed by the political process; and the uses of tax expenditures are generally unknown and unmonitored and may not be consistent with congressional intention. Tax expenditures are therefore often considered poor policy, especially by economists. Some tax expenditures are little more than loopholes for special interests; others, like the deductibility of contributions to charity, are universally supported. But no matter how worthwhile tax expenditures are considered, they must still be counted as public spending.

The major tax expenditures which specifically benefit children and youth must be considered not only to obtain a complete picture but also to help correct a basic error in our thinking about public spending for children. The programs for children and youth which receive the most public attention are programs for poor children or for those with some special need, like handicapped children. In contrast, most tax expenditures go to children in moderate and high-income families. The most important tax expenditures (described in Appendix C) are the exemptions for dependent children; housing subsidies, through the deductibility of mortgage interest and the property taxes; and tax expenditures for health care, through the deductibility of medical expenses and medical insurance costs. All these tax expenditures go predominantly to middle- and upper-income families; because of the progressive marginal tax rates of the personal income tax they are worth more to the highest income families. When we consider tax expenditures as well as appropriated expenditures, then, it becomes clear that public subsidies for children do not all go to poor children.

Finally, charitable spending is financed in part from federal funds, through the deductibility of charitable contributions for corporations and for those taxpayers who itemize. Therefore, we have divided total charitable giving into that part which is federally subsidized through the tax system and that part which represents real contributions by individuals, corporations, and foundations.

In describing social spending, it is useful to group programs into functional categories, to describe roughly what spending is designed to do. We have used ten categories: education, health, income support, food programs, day care, social services, justice, employment, recreation/cultural, and psychological services. Any set of functional categories is to some extent arbitrary, because many programs could fit equally well into two different functions; for example, food stamps are a form of income support, but they are also nutrition programs; vocational education is both education and (one hopes) employment related. Appendix A describes these categories in more detail.

Despite the care with which we have assembled spending data, it is well to remember that expenditure figures are necessarily *estimates*. The basic data on state and federal expenditures collected by the Special Committee on the Delivery of Human Services unavoidably contains some reporting errors. The data available on county and local spending is necessarily inexact, since these governmental units do not publish their budgets in a systematic format; we derived the figures from the *Census of Governments* instead. The estimates of charitable spending are obviously crude, because data are not regularly published and estimates must be contrived from the limited data available. Finally, the figures for tax expenditures require a series of estimates, and in all likelihood several tax expenditures have escaped our attention.

Once total expenditures have been estimated, it is then necessary to disentangle expenditures for children and youth from expenditures for adults, a procedure which also requires estimation methods since funding is not usually available by age. Unfortunately, there is no other way to obtain spending figures than by educated guesses and careful estimation procedures. Our hope is that, through careful and reasonable estimation and through amassing more complete data than any one source can provide, we have constructed a relatively accurate overview of social spending on children and youth.

Expenditures by Function

Table 1 presents our basic estimates of expenditures by function and by sources of funds. The most obvious finding is the dominance of education, which accounts

Table 1

Social Spending for Children and Youth in Texas by Revenue Source by Function, FY 1978
(in millions of dollars)

	Federal	*State*	*Counties and Special Districts*	*Municipalities and School Districts*	*Charitable Contributions, Federal Subsidies*	*Charitable Contributions, Other Contributions*	*Federal Tax Expenditures*	*TOTAL*
Education	357.0	2,879.0	.5	1,898.0	127.4	530.7	30.3	5,822.9
Health	68.0	65.0	80.0	25.0	23.9	91.3	149.0	502.2
Income support	584.0	50.0	35.3	7.8	2.8	10.0	1,148.3	1,838.2
Food	354.0	20.0	*	0.5	*	*	0	374.5
Social services	42.0	15.0	3.9	3.5	9.6	33.3	0	107.3
Day care	30.0	5.9	*	2.5	8.8	30.9	30.0	108.1
Justice	2.6	41.0	11.4	1.3	*	*	0	56.3
Employment	138.0	2.5	*	0.5	*	*	78.9	219.9
Recreation/ cultural	1.4	12.0	13.7	105.0	51.9	170.8	0	354.8
Psychological services	15.0	37.0	*	6.4	2.5	9.0	0	69.9
TOTAL	1,592.0	3,127.4	144.8	2,050.5	226.9	876.0	1,436.5	9,454.1
Total minus education	1,235.0	248.4	144.3	152.5	99.5	345.3	1,496.2	3,631.2

Source: See Appendixes A, B, and C of this study.

*Minor amounts of spending on food programs show up in income support; minor amounts of spending on justice, employment, and psychological services are included in social services.

for 62 percent of all expenditures for children and youth, and 74 percent of direct government spending. This category includes elementary and secondary education and also a large fraction of higher education (that fraction which goes to individuals twenty-one and under). The other large categories of expenditures are income support (which includes housing subsidies) and health, but these expenditures must be interpreted with care. Income support accounts for 19 percent of all spending and 52 percent of noneducational spending. It includes AFDC, which is probably the income support program which dominates the public's perception, but AFDC amounts to a relatively trivial $118 million, or 6.4 percent of the total. The other large amounts in income support are $470 million from Social Security, which goes to disabled children and children who are survivors; $227.2 million in tax expenditures for housing; $98.5 million through income exclusions and the earned income tax credit, most of which go to low- and moderate-income children; and $822.6 million through the personal exemption for dependents, most of which goes to middle- and upper-income families. Thus at least $1.4 billion out of the total $1.8 billion for income support programs goes not to low-income children but to middle- and upper-income children through tax expenditures.

Similarly, the health category—which accounts for 5 percent of total spending and 14 percent of noneducational funds—includes the Medicaid program for children on AFDC and health clinics which serve low-income children. On the other hand, health spending also includes $115.2 million of charitable contributions, most of which support hospitals (rather than clinics) where the beneficiaries are not predominantly low-income and not predominantly children; and federal tax expenditures, which account for $149 million or 30 percent of total health expenditures, tend to benefit upper-income children (since 78 percent of this subsidy goes to families with incomes over

$15,000)[18]. Thus social support for health spending tends to be distributed across the entire income range, rather than being concentrated among low-income children.

Food programs, the next largest spending category, consist of food stamps and the various child nutrition programs, including school breakfast and school lunch programs. Almost 95 percent of total funds are provided by the federal government, with marginal sums from other sources. The federal government is similarly essential to the support of employment and training programs, providing almost 99 percent of total funds and 98 percent of direct governmental funds.

Spending for recreation and cultural purposes is almost as large as spending on food programs. Most of these funds come from local governments through their parks and recreation programs. The other large expenditures come from private charity, which funds recreation programs through scouts, YMCAs, and YWCAs, and such civic and cultural activities as museums, art, and music programs. Federal spending is almost nonexistent; state, county, and special district spending is limited to the provision of public parks.

When we examine social services, day care, and psychological services, it again becomes clear how incomplete it would be to omit charitable spending and tax expenditures. Fully 40 percent of social services for children and youth are funded through private charities; 37 percent of child care is funded through charity, and an additional 28 percent comes through the child care tax credit. An estimated 16 percent of psychological services are funded through charity.

Spending from Government Sources

Because education so dominates total spending, it is useful to examine spending without education programs. When we do this, the importance of the federal government becomes clear. Through direct spending, tax expenditures which flow though private charity, and other tax expenditures, the federal government bears 75 percent of total noneducational spending and 69 percent of direct government spending. Of all federal spending, slightly less than half (46 percent) comes through direct appropriations, and slightly more than half through tax expenditures. Several reasons account for the overwhelming importance of federal spending for nonschool programs. First, federal tax expenditures are large, without any counterpart from state or local government. Second, federal spending is much less education-intensive than is state and local spending: 22 percent of direct federal spending supports education, compared to 92 percent of state spending and almost 93 percent of local spending. Clearly, then, the federal government supports a relatively diverse set of programs. In contrast, state and local governments in Texas commit their funds almost entirely to the traditional function of education. While state and local funding may be important for other functions—for example, local funding accounts for 30 percent of recreation spending and the state provides 73 percent of funds for juvenile justice programs—in relative terms all functions besides education are trivial. In fact, state, county, and local funding for noneducation purposes are smaller than charitable contributions and tax expenditures, highlighting once again the importance of considering "hidden" expenditure sources.

The power of the federal government to influence spending for children and youth—particularly noneducational spending—is still more powerful than the figures in Table 1 reveal. Some intergovernmental programs require the states to match federal funds; for example, participation in AFDC and Medicaid requires each state to provide a fraction of the expenditures, and the Title XX program for social services requires the state to provide one-fourth of total spending. In one of the data sources underlying Table 1, state agencies reported the amounts of funds required for participation in various federal programs,[19] and these amounts are given in Table 2. When we omit education, which again dominates the total spending figures, then 54 percent of total *state* spending is required for participation in federal programs, and only 46 percent is truly "optional." The proportion of total state funds which are required rather than optional is particularly high for income support, because of AFDC requirements; in health, because of Medicaid requirements; in social services, because of Title XX requirements; and in employment programs, because the state contributes a trivial fraction amount of funds for administration. The exceptions—the areas in which Texas has truly chosen to spend its own funds—include education, juvenile justice programs, psychological services (primarily because of state revenues in state schools and state hospitals, rather than in community-based programs which tend to be federally funded), and day care licensing (not direct services, which again tend to be provided as part of federal programs like Title XX). This leads us to a simple statement of Texas' priorities for children: by and large, Texas has been willing to spend its own money only for education, for the incarceration of troublesome juveniles, and for the institutionalization of

Table 2

State Funds for Children and Youth Required by Federal Programs, FY 1978
(in millions of dollars)

	Required for Federal Programs	*"Optional"*	*TOTAL*
Education	$11.2 (0.4)*	2,867.8 (99.6)	2,879.0
Health	45.4 (69)	20.1 (31)	65.5
Income support	41.5 (83)	8.8 (17)	50.3
Food	9.7 (48)	10.7 (52)	20.4
Social services	9.0 (59)	6.2 (41)	15.2
Day care	1.2 (20)	4.7 (80)	5.9
Justice	17.8 (44)	23.0 (56)	40.8
Employment	2.0 (80)	0.5 (20)	2.5
Recreation/cultural	.002 (0)	11.7 (100)	11.7
Psychological services	8.3 (23)	28.5 (77)	36.8
TOTAL	146.1 (4.7)	2,982.0 (95.3)	3,128.1
Total minus education	134.9 (54)	114.2 (46)	249.1

*Row percentages are in parentheses.

mentally retarded and emotionally disturbed children. It has not been willing to spend its own funds on programs for poor children unless they are troublesome.

To be sure, it is difficult to say what the level and composition of state funds would be in the absence of federal requirements, since the state of Texas might fund almost exactly the same kinds of programs without those requirements. However, Table 2 indicates that Texas spends 8 percent of its "optional" funds (excluding education) on income support compared to 31 percent of federally required funds, and 17.6 percent of "optional" funds are spent on health compared to 34 percent of federally required funds. One obvious implication of these numbers is that state funds for income support and medical care for poor children would be reduced in the absence of federal requirements, a conclusion which is consistent with a long Texas history of stingy funding for the poor.

By and large, spending by counties and special districts supports health care in county hospitals and hospital districts. A second large category of county spending, income support, largely reflects the expenditures of housing authorities for subsidized housing. All other expenditures by counties and special districts are relatively trivial. Municipalities and school

districts spend almost all their funds for schooling, of course, with the only other substantial amount of funds supporting recreational facilities.

Charitable Spending and Tax Expenditures

The figures for charitable spending are interesting because there have been so few previous efforts to compare government funds with private charity. Total charitable giving accounts for 12 percent of total spending for children and youth and 12.5 percent of non-educational spending. (A substantial fraction of charitable spending—about 22 percent—actually comes from the federal government in the form of tax expenditures.) However, charitable giving is not evenly spread across all functions. One of the largest categories of charitable spending is religion, which accounts for about 34 percent of all charitable giving for children and youth (as shown in Appendix Table D-9), but which has been omitted from Table 1. The largest single nonreligious function is education, which absorbs 39 percent of all charitable giving and 60 percent of nonreligious charitable giving. Most of these funds support private higher education, with some supporting private elementary and secondary education. Another substantial amount of charitable funds support recreational and cultural activities, including YMCAs and YWCAs, scouts and similar organizations, museums, art programs, and the like. Health is the final category, which absorbs substantial amounts of charitable funds—about 10 percent of nonreligious spending; most of this subsidizes the building of hospitals, which children and youth tend to use relatively little, with smaller amounts subsidizing various health clinics. Charitable spending also supports some social services and day care but almost no income support programs or nutrition programs for children and youth.

When we examine the composition of charitable spending and the kinds of organizations which are typically supported by private charity, then the differences between charity and governmental spending—particularly federal spending—become clear. The majority of nonreligious charitable giving, which supports private education, tends to benefit children and youth from middle- and upper-income families. The hospitals supported through charity tend to be private, rather than public hospitals serving low-income patients; in fact, many private hospitals have been so reluctant to admit low-income patients that they have been successfully sued in order to fulfill their Hill-Burton obligations.[20] Recreation and cultural programs supported by charity are generally available to all children, of course. Only social services, day care, psychological services, and income support programs funded through charity—which constitute only 9.7 percent of nonreligious giving and 6 percent of total charitable giving—could be said to support children and youth from low- and moderate-income families. Therefore, charitable spending is skewed towards middle-and upper-income children, while federal direct spending is skewed toward the neediest low-income children. Whatever the merits of this phenomenon, the differences suggest that, in a period when the Reagan administration is trying to reduce federal support for social programs, charitable funds are unlikely to compensate for decreased federal spending because they have always supported such different kinds of activities.

Finally, the greatest surprises come when we examine federal tax expenditures. Fully 18 percent of total spending for children and youth in Texas and an amazing 41 percent of noneducational spending is provided through tax expenditures (including tax expenditures for charitable giving). We have already reviewed the composition of tax expenditures: most of it goes to middle- and upper-income children through standard exemptions, through tax breaks for home owners, and through the various tax expenditures for health, with much smaller amounts going to low-income recipients through the earned income tax credit and the exclusion of transfer payments. The differences between federal direct expenditures and tax expenditures clarify the point which has been made many times: the legislative procedures for enacting direct spending and tax expenditures are so different that the spending patterns vary enormously between the two, and inevitably—because of the structure of the income tax system—tax expenditures tend to benefit middle- and upper-income groups disproportionately.

The real value of constructing budgets describing social spending for children and youth, then, is the number of surprises which they reveal. In particular, the size of hidden expenditures (charitable spending and tax expenditures), the fact that social spending is not concentrated among poor children or children with special needs, the tendency for charitable spending and tax expenditures to be skewed toward middle- and upper-income children, and the dominance of federal funding in noneducation programs are all conclusions which contrast sharply with conventional conceptions of how we spend money for children.

2. The Beneficiaries of Public Spending

Table 1 contains the most complete data available on spending for children and youth. More detailed information is available for some sources of funding in Table 1 but not for others; specifically, we did not consider it worthwhile to develop more detailed data for county expenditures, local nonschool spending, and charitable funding and federal tax expenditures—the most difficult expenditures to estimate. From here on, we will analyze federal, state, and school district programs on which a great deal of additional information is available. These programs represent 71 percent of total social spending, but 96 percent of direct governmental spending on children and youth in Texas.

Table 3 presents estimates of public spending on children and youth by function, for the restricted set of programs we will analyze in this and subsequent chapters. Compared to Table 1, there is relatively little spending on recreation programs, since these are largely financed by local government and charitable organizations. Spending on education and on health is slightly lower, since these are also functions which are heavily supported by charitable spending. The large expenditures for income support through tax expenditures are absent.

In most ways the patterns in Table 3 are relatively predictable, and they confirm most findings of other children's budgets. The vast majority of spending—77 percent—goes for education, both elementary and secondary and higher education. An additional 15 percent goes for income support and food programs, leaving only 8 percent for the vast number of other

Table 3

Public Spending for Children and Youth in Texas for a Restricted Set of Programs, FY 1978
(in millions of dollars)

	Federal	*State*	*Local/Other*	*TOTAL*
Education	357.0	2,879.0	1,894.0	5,130.0
Health	68.0	65.0	0.1	133.0
Income support	584.0	50.0	1.2	635.2
Food	354.0	20.0	0.5	374.5
Social services	42.0	15.0	1.9	58.9
Day care	30.0	5.9	2.5	38.4
Justice	2.6	41.0	0.5	44.1
Employment	138.0	2.5	0.5	141.0
Recreation	1.4	12.0	0	13.4
Pyschological services	15.0	37.0	6.4	58.4
TOTAL	1,592.0	3,127.4	1,907.6	6,626.9
Total minus education	1,235.0	248.4	13.6	1,496.9

programs. Local revenue in this particular sample is concentrated almost entirely in education, partly since nonschool programs have been omitted. State revenue is similarly concentrated in education, with only 8 percent of total state funds supporting nonschool programs. In contrast, a relatively low 22 percent of federal funds go for education. A large fraction of federal funds, 68 percent, goes for the basic income support programs, broadly defined—including income support, nutrition, health care, social services, and day care. Employment programs—largely CETA and Youth Education and Demonstration Project Act (YEDPA) programs—also consume a significant fraction (9 percent) of total federal spending. Psychological services—composed largely of state mental hospitals (which admit relatively few children), state schools for the mentally retarded, and community mental health centers—receive small fractions of both federal and state revenues. However, the state share of funding for psychological services is relatively high—64 percent—because the state schools and state hospitals that account for most of the spending are funded in Texas almost entirely with state monies.

Expenditures by Age Groups

We can now examine spending patterns according to the characteristics of children and youth who receive them, rather than by the sources of funds. Obviously, many programs are associated with children of particular ages or particular characteristics: publicly subsidized child care programs go predominantly to children under six, and serve almost entirely low-income children; juvenile justice programs serve children between ten and seventeen; and many programs are focused on handicapped or retarded children. Again, we can illuminate the implicit priorities in public spending by analyzing the kinds of children who receive the bulk of government funds.

Table 4 presents government spending for four different age groups, by functional categories. The choice of age groups, like the choice of functional categories, is somewhat arbitrary; since programs do not collect data for the same age ranges, it proves impossible to develop age groupings which are congruent with all programs. The age groups chosen represent roughly preschool, elementary, secondary, and postsecondary stages, and they conform roughly to conventional conceptions of developmental stages. The allocation of total spending into different age groups has required an estimation process, since few programs report spending by age groups. Most programs do report the ages of recipients, however, and in most cases spending has been allocated according to the proportion of recipients in each category.[21] Allocating funds according to the number of recipients in each age category assumes that spending per recipient is constant for all age groups. In cases where this is clearly false—as in the Medicaid program, where spending per person is much higher for elderly recipients than for children—more direct measures of spending on recipients of different ages have been used. In a few cases where data are unavailable and the assumption procedure seems reasonable, total spending has been allocated to different age groups according to their representation in the population.

It is useful to compare the figures in Table 4 with the numbers and proportions of children and youth in different age groups. Table 5 presents data from two different sources on the number of children in Texas, and the number of poor children in Texas from two different sources. The two sets of estimates are reasonably though not perfectly consistent.

Given the proportions of children of different age groups, most conclusions from Table 4 are obvious; for example, very young children use almost all child care, and adolescents use most employment and justice-related programs. One disturbing finding is that very young children, who represent 27 percent of all children, tend to underuse health services relative to their numbers since they account for about 17.5 percent of spending (contrary to the prevailing view that younger children need more health care and youth are relatively sturdy). Another striking finding is that psychological services tend to be used by older youth. This is due to both relatively greater use of community-based services by youth, and to the much higher use of expensive institutions—state schools for the mentally retarded and state hospitals for the emotionally disturbed—for youth as compared to young children.

In terms of overall spending, these results confirm what advocates of very young children have always claimed—that we spend relatively little money (about 8 percent of the total) on young children, those under six. However, this result is due almost entirely to the dominance of spending for public education; without educational spending, distribution of spending across age groups is relatively equitable, as the last line of Table 4 indicates.

Even though education is relatively unimportant for children under five, it still remains the single most important form of public expenditures for this group and accounts for almost half of total spending. The major education expense for children under six is for kindergarten, and this spending dwarfs public spending for child care (including Head Start)—partly because Texas appears to allocate relatively few public funds to child care. The other patterns in Table 4 are

Table 4

Public Spending for Children and Youth by Ages of Recipients, FY 1978
(in millions of dollars)

	Ages 0-5	*Ages 6-11*	*Ages 12-17*	*Ages 18-21*	*TOTAL*
Education	241.6	2,729.0	2,264.0	498.0	5,732.6
Health	23.4	35.6	43.0	31.6	133.6
Income support	175.0	164.6	177.5	117.6	634.7
Food	88.7	137.6	132.5	16.7	375.5
Social services	21.8	20.0	13.5	3.9	59.2
Day care	24.8	12.9	.15	.10	38.0
Justice	0	12.0	32.0	11.8	55.8
Employment	.01	.01	38.8	102.2	141.0
Recreation	3.0	4.0	3.8	2.4	13.2
Pyschological services	5.2	8.9	22.3	21.7	58.1
TOTAL	583.5	3,124.6	2,727.6	806.0	7,241.7
Total minus education	341.9	395.6	463.6	308.0	1,509.1

Table 5

Numbers of Children and Youth in Texas
(in thousands)

	Ages 0-5	*Ages 6-11*	*Ages 12-17*	*Ages 18-21*	*All Ages*
All individuals, 1976	1,275 (10.4)*	1,302 (10.6)	1,424 (11.6)	1,007 (8.2)	12,307
Individuals below the poverty line	265 (14.2)	267 (14.3)	292 (15.6)	—	1,870
All individuals, 1978	1,434 (11.1)	1,476 (11.4)	1,382 (10.7)	955 (7.4)	12,938
Individuals below 60 percent of median income, 1978	494 (13.7)	457 (12.7)	393 (10.9)	266 (7.4)	3,602

Sources: 1976 data come from U.S., Bureau of the Census, "Demographic, Social, and Economic Profile of States: Spring, 1976," *Current Population Reports*, D-20, no. 334, January 1979; figures in line 2 are estimated from poverty rates given in Table 26, p. 69. 1978 data come from "Title XX Eligibles at 60% of State Median Income for Texas, Texas Counties, and DPW Regions," Planning Bureau, Texas Department of Human Resources, November 1978.

*Row percentages are given in parentheses.

Table 6

Public Spending by Age by Source of Funds, FY 1978
(in millions of dollars)

	Federal Revenue	*State Revenue*	*Local/Other Revenue*	*TOTAL*
Ages 0-5	328.5	161.7	93.1	583.3
Ages 6-11	430.0	1,178.0	902.4	2,510.4
Ages 12-17	490.0	1,343.0	892.0	2,725.0
Ages 18-21	342.0	444.0	19.8	805.8

relatively obvious: because of the relative unimportance of education, income support and food programs are relatively more important for very young children than for other age groups.

Because of the obvious pattern of functions by age, where education dominates except for very young children, federal revenue proves to be the overwhelming source of funding for children 0-5, whereas state and local revenues which support education are much more important for those 6-11 and 12-17. (See Table 6.) Federal revenue is also relatively large for older adolescents (18-21) because of spending on employment and training programs. We can also see from comparing Table 6 with Table 5 that the distribution of federal spending across age groups matches rather closely the age distribution (though late adolescents get slightly more than their share). In contrast, the dominance of education spending means that state and local funds relatively neglect the youngest and oldest children. When we exclude education (in Table 7), these patterns for state and local funds largely disappear and the distribution across age groups is much more even, though state spending is still somewhat higher for those 12-17 because of spending for juvenile delinquents. Federal nonschool spending is still skewed toward those 18-21—who receive 21 percent of federal funds though they are 7.4 percent of the population—because of employment and training programs.

Expenditures by Target Groups

A different way to examine the recipients of public funds is to analyze the specific characteristics required to make recipients eligible. Table 8 describes total spending and revenues by source, for different target populations describing children and youth with special needs.[22] Since education for children without any special disabilities dominates, the largest amount of funding has no special limitations for eligibility and no special target population.

Of the remaining groups, low-income children are

Table 7

Public Spending by Age by Source of Funds, for Noneducational Programs, FY 1978
(in millions of dollars)

	Federal Revenue	*State Revenue*	*Local/Other Revenue*	*TOTAL*
Ages 0-5	289.0	49.4	3.5	341.9
Ages 6-11	324.2	56.7	3.0	383.9
Ages 12-17	366.5	92.8	4.2	463.5
Ages 18-21	254.6	50.3	2.9	307.8

Table 8

Public Expenditures by Source for Different Target Populations, FY 1978
(in millions of dollars)

	Federal	*State*	*Local/Other*	*TOTAL*
Emotionally disturbed	9.5	33.7	5.2	48.4
Physical illness/disability	36.8	35.2	2.2	74.2
Developmentally disabled	18.8	59.3	0.5	78.6
Multihandicapped	5.6	0	0	5.6
Variety of disabilities	19.7	8.8	1.0	29.5
Delinquent	2.7	39.1	0.4	42.2
Substance abuse	3.1	0.1	0.8	4.0
Pregnant teenagers and teenage parents	19.4	.09	0.2	19.7
Migrant	145.4	0	0	145.4
Non-English speaking	0.3	4.4	0.8	5.5
Special education	1.1	206.3	35.6	243.0
Compensatory education	110.3	21.2	3.7	135.2
Unemployed	123.4	0.2	0.1	123.7
Dependent, neglected, and abused	27.5	17.2	0.5	45.2
AFDC-income limit	151.4	85.4	5.3	242.1
Other income limit	388.3	28.4	0.5	417.2
Survivors	470.0	0	0	470.9
No target group	167.4	2,588.0	1,851.0	4,606.4

the target with the largest expenditures, accounting for 33 percent of all targeted spending. The definition of which children are poor varies among programs, with the AFDC eligibility governing not only AFDC but also access to Medicaid and some Title XX social service programs; other kinds of income limitations govern such programs as food stamps, the school lunch and breakfast programs, and maternal and child health programs. Another surprisingly large category—about 24 percent of targeted spending—includes children who receive benefits under Social Security, as disabled children or survivors of parents covered by Social Security; most of these children are not in poverty, as federally defined, though many of them would be poor if their families did not receive Social Security benefits. Compensatory education, special education, and employment and training programs focused on the unemployed absorb large amounts, with other target populations much less important in terms of money spent on them.

Of the target groups described in Table 8, there are striking differences in the sources of funds. Some groups—those with multiple handicaps, substance abusers, pregnant teenagers and teenage parents, migrants, the unemployed, and the "educationally disadvantaged" who receive compensatory education—are funded almost entirely through federal funds; and programs for low-income children are predominantly (82 percent) federally funded. Other specific programs—especially those for delinquents, for the emotionally disturbed and the developmentally disabled, and for juvenile delinquents—are predominantly state funded. This finding suggests that community-based services tend to be federally funded, while institutional programs are state funded—a topic we will return to in Chapter 4. In addition, this finding is consistent with

the emphasis of the state of Texas on incarceration of both delinquents and emotionally disturbed youth, and with the reluctance of Texas to fund programs for poor people. These conclusions are strengthened when we consider the amounts of state revenue which are required for participation in federal programs, rather than being "optional" or elective. Table 9 presents the data on spending required by federal programs versus optional state spending as reported by state agencies, similar to the data in Table 2 above. These results confirm again the importance of the federal role: even in those programs for which there is significant state funding, federally required funds tend to be large fractions of total state spending and are particularly high for programs with AFDC-related income limits (principally AFDC and Medicaid). The only real exceptions are programs for the developmentally disabled and special education programs, where state funding is a large fraction of total spending and yet almost all state spending is optional rather than required.

It is difficult to judge how appropriate the magnitudes of spending in Table 8 are. Do we spend enough, for example, on emotionally disturbed youth compared to delinquent youth? The kinds of services offered are so varied that comparison is difficult. In addition, different programs involve very different kinds of costs; most substance abuse programs, for example, are education programs with rather low costs, whereas programs for delinquent and emotionally disturbed youth can involve the most expensive institutionalization. Table 10 presents what evidence

Table 9

Federally Required and Optional State Revenues for Selected Target Population, FY 1978
(in millions of dollars)

	Required State Revenue	*Optional State Revenue*	*TOTAL*
Emotionally disturbed	7.7 (23*)	26 (77)	33.7
Physical illness/disability	12.2 (34)	23.2 (46)	35.4
Developmentally disabled	.06 (0)	59.2 (100)	59.3
Variety of disabilities	5.1 (58)	3.7	8.8
Delinquent	18.9 (48)	20.2 (52)	39.1
Non-English speaking	0 (0)	4.4 (100)	4.4
Special education	0	206.3	206.3
Compensatory education	0	21.2	21.1
Dependent, neglected, and abused	7.0 (41)	10.2	17.2
AFDC-income limit	69.4 (81)	16 (19)	85.4
Other income limit	10.9 (38)	17.5 (62)	28.4

*Row percentages are in parentheses.

is available on the intensity of efforts for different target groups. The numbers served and numbers eligible are reported by the state agencies responsible for administering these programs; the figures are large because they include those eligible for many different programs, and therefore many individuals are counted more than once. While the administrators responding are likely to be in a better position to make such estimates than anyone else, these figures are probably still extremely crude, as is suggested by some of the outrageous figures in Table 10. They reveal that most programs serve only a fraction of those eligible—or that administrators are willing to admit that fact.

With data on the number served and the spending figures in Table 8, we can also construct a cost per child for each target group, also presented in Table 10. These figures confirm the low costs of substance abuse programs and the high costs of programs for delinquents and for neglected and abused children who require foster care; once again, the results remind us of the high costs of incarceration. But again these figures are not particularly revealing; for example, an average cost of $65 per unemployed person seems too little to do very much, but this category combines low-cost information programs like the Employment Service with high-cost training programs like Job Corps. More than anything else, these figures reveal the limits of aggregate analysis of very different programs.

Table 10

Intensity of Public Efforts for Selected Target Groups, FY 1978

	Number Served	*Number Eligible*	*Proportion of Eligibles Served*	*Spending Per Child*
Emotionally disturbed	6,404,603	7,183,871	89%	$ 7.55
Physically ill/disabled	748,623	1,052,139,926	.07	99.25
Range of disabilities	232,668	74,045,413	.3	127.65
Delinquent	21,807	218,515	10	1,935.16
Substance abuse	12,269,330	84,553,334	15	0.33
Pregnant teenagers and teenage parents	115,325	444,000	26	170.82
Unemployed	1,882,428	2,270,000	83	65.66
Dependent, neglected, abused	193,127	768,028	25	234.04
AFDC-income limit	2,065,992	9,889,215	21	20.33
Other income limit	5,394,681	102,196,149	53	77.35

3. The Rationales for Spending on Children and Youth

Another way to examine public spending on children and youth is to ask why they receive government benefits. In some cases children are the targets of programs because services are meant for them as children, because of their special developmental needs or some other characteristic of their age which requires special attention. Elementary and secondary education, child care, and Aid to Families with Dependent Children—which has always been primarily a program for poor *children*, not poor people in general—are examples of programs aimed specifically at children and youth.

In other cases children receive benefits because they are part of a more general eligible population; for example, food stamps, which are available to the entire low-income population, and services through community mental health facilities and state hospitals are programs that children use, though they are not designed specifically for children.

In some cases children and youth are one of several specific target groups, all of which are thought to have special needs; for example, some alcohol abuse programs are aimed at teenagers, while others are aimed at drivers convicted of drunk driving. In still other cases, benefits flow to the community at large and children benefit indirectly. Of course, this last category is potentially enormous; such public health measures as sewerage systems, police and fire protection, and the system of transportation which makes economic development possible are examples of programs which benefit children indirectly. This expansive view of what programs benefit children means that every public program must be considered a service to children. However, since this approach yields no real information about what services are specific to children, we consider only the services whose benefits are relatively obvious, such as immunization programs.

Table 11 presents the results of categorizing public programs according to the different ways in which children and youth receive benefits. In several areas—especially education, nutrition programs, social services, and the obvious cases of day care and justice programs for juveniles—a substantial fraction of total funds are directed specifically at children and youth. In the other spending categories—especially income support, employment programs, and psychological services—children and youth tend not to be singled out for special attention but receive what they do because they are part of a larger population eligible for that service. In these cases there are some programs aimed specifically at children and youth—for example, YEDPA programs within CETA, children's services as one of the twelve mandated services of Community Mental Health Centers (CMHC) and AFDC[23]—but they tend to be overwhelmed by much larger programs aimed at more general populations—for example, CETA, the broad range of CMHC services, and Social Security. Ignoring education, which obviously is directed at children and youth, about 35 percent of all spending to children and youth is targeted to them specifically, with the remaining 65 percent of spending generated by programs benefiting broader populations.

Still another way to analyze the extent to which public programs focus specifically on children and youth is to examine the ages of recipients for the programs which benefit children and youth. Some programs benefit only children and youth, so 100 percent of recipients are children; day care and elementary and secondary education are obvious examples. In other programs which are important for children, they are nonetheless peripheral in terms of overall spending. For example, Medicaid is the major source of health care funding for poor children, and children under twenty-one are about 33 percent of all recipients in Texas; but, because children are relatively healthy compared to the aged population eligible for Medicaid, only 7 percent of total Medicaid spending goes to children and youth. Similarly, less than 1 percent of those in state mental hospitals are twenty-one or under, so again children are a relatively unimportant group.[24]

In Table 12, we present levels of spending for four different categories of programs. The first category includes programs in which spending for children and youth accounts for 0-25 percent of all spending, for

Table 11

Public Spending for Children and Youth by Function by Different Rationales for Participation, FY 1978
(in millions of dollars)

	Directed at Children/Youth	*Children/Youth as Part of a Larger Population*	*Children/Youth as One of Several Target Groups*	*Children/Youth as Part of the Community*
Education	4,613.0	518.5	1.1	0
Health	51.4	41.1	32.1	9.0
Income support	125.2	507.8	1.7	0
Food	206.4	166.2	2.8	0
Social services	49.7	8.7	0.9	.04
Day care	37.5	0	0.5	0
Justice	30.3	13.7	0	0
Employment	15.5	125.2	0.4	0
Recreation	1.4	.03	0	11.7
Psychological services	6.3	28.6	23.2	.04
TOTAL	5,136.7	1,409.8	62.7	20.8
Total minus education	523.7	891.3	61.6	20.8

Table 12

Public Spending for Children and Youth by Function, by Programs with Different Concentrations of Children, FY 1978
(in millions of dollars)

	Spending on Children/Youth as a Proportion of Total Spending			
	0-25%	*25-50%*	*50-75%*	*75-100%*
Education	6.5	494.0	19.4	4,612.0
Health	38.8	43.6	0	51.1
Income support	0.2	477.5	123.0	34.0
Food	0.9	2.8	165.0	107.0
Social services	0.8	10.2	0	48.2
Day care	0.1	0.5	0	37.4
Justice	13.6	0	0	30.3
Employment	18.2	65.6	49.9	7.5
Recreation	0.03	11.7	0	1.4
Psychological services	14.3	39.5	0	4.3
TOTAL	93.5	1,145.4	357.3	4,933.2
Total minus education	87.0	651.4	337.9	321.2

Table 13

Direct Recipients of Programs by Function

	Children and Youth	*Parents*	*Other*	*Not Relevant*
Education	4,483.0	0	0	650.0
Health	124.3	0.1	0.1	9.0
Income support	37.0	572.0	0	28.7
Food	207.0	149.0	0	20.2
Social services	46.1	3.3	0	9.8
Day care	33.2	0	0	4.8
Justice	32.1	0	0	11.8
Employment	116.0	.6	0	24.5
Recreation	1.4	0	3.8	7.8
Psychological services	40.0	0	0	18.1
TOTAL	5,120.0	725.0	3.9	784.7
Total minus education	637.1	725.0	3.9	134.7

which it can be said that children are peripheral. The subsequent categories—those in which children account for 25-50 percent, 50-75 percent, and 75-100 percent of total spending—are programs in which children are increasingly central. It may help to remember that in 1978 children and youth were 40.6 percent of the population in Texas and 44.7 percent of the low-income population.

In education, social services, day care, and justice programs, most spending occurs in programs where children predominate. In all other functional areas, spending is roughly divided between programs in which they are central and those in which they are served roughly in proportion to their representation in the population. Programs in which children are distinctly peripheral account for 29 percent of health spending (largely for Medicaid), 31 percent of justice spending (for those in adult jails), 13 percent of employment-related spending (for those in CETA programs), and 25 percent of psychological services.

When we ignore education spending, then 23 percent of overall spending takes place in programs where children predominate, with most of the remaining 77 percent in programs where children are important but not the only recipients. These results, together with those from Table 11, suggest that programs for children are not overwhelmingly child-centered; rather, most public spending for children and youth—roughly two-thirds—appears in programs which benefit larger populations.

Finally, we can ask whether benefits flow to children directly, or whether they flow indirectly through their parents, through community organizations, or in some other way. In their study of federal expenditures, Charles Brecher and Raymond Horton found that in 1980 16 percent of federal expenditures went directly to children and youth, 49 percent went through their families, 21 percent went to children and youth as part of larger populations, and 4 percent were public and quasi-public goods benefiting children and youth. From these results they concluded that the family is important as a way of delivering services.[25] In Table 13 we present a similar classification of public spending in Texas, distinguishing among services provided directly to children and youth, services provided to parents, and services provided in other indirect ways. Many forms of spending prove to be irrelevant to this distinction, like the large sums spent for administration, evaluation, and other ancillary services analyzed in Chapter 5.[26] These results reveal that most services flow directly to children; only in such income support programs as Social Security and AFDC and such nutrition programs as food stamps are there significant services which flow through families. Of noneducational programs, 43 percent of the funds which could be meaningfully categorized flow through families, confirming Horton and Brecher's conclusion about the importance of family-based programs. However, almost all family-based programs are the traditional welfare programs—

AFDC, Social Security, food stamps, housing programs—which necessarily flow through parents and which are relatively large; almost all other programs go directly to children and youth.

It is well to remember that the direct governmental expenditures analyzed in Tables 11, 12, and 13 are quite different from the federal tax expenditures in Table 1 in the way they are delivered to children. Tax expenditures by necessity flow to children through their parents, whereas education and 38 percent of direct noneducational spending flow to children rather than using parents as intermediaries. This fact reinforces the conclusion of how important the family is as a means of providing public resources to children and youth.

4. The Settings of Programs for Children and Youth

One of the enduring debates over children's programs has involved the appropriateness of institutional settings versus community- or home-based settings. The history of the juvenile justice system has been one of persistent efforts to reduce institutional placement in favor of community facilities;[27] a similar movement toward the community-based treatment of mentally retarded and emotionally disturbed individuals has taken place during the past few decades, particularly with the funding of community mental health centers. Modern welfare programs—especially Aid to Families with Dependent Children—began as efforts in the early decades of the nineteenth century to prevent the institutionalization of children by allowing mothers to stay at home with their children, and various other social services—child care and homemaker-chore services, for example—have been promoted as ways to prevent the institutionalization of adults as well as children. Consistently, institutional settings have been criticized for being more expensive, for fostering dependence on institutions, for being less effective in returning individuals to normal lives in the community, and for disrupting family and community ties. Despite the long history of such arguments, however, the effort to replace institutions with community- or home-based treatment remains as difficult as ever.

The appropriateness of institutional treatment versus community-based or home-based services involves normative issues and the evaluation of particular services and needs. These issues cannot be analyzed with budgetary information. However, we can describe the settings in which programs for children and youth take place, to see where the bulk of public funds have been spent. Table 14 describes public spending for children and youth according to different settings in which services are provided. These settings include institutional settings, such as state hospitals, state schools for the mentally retarded, and institutions for juvenile delinquents; community-based services, such as community mental health facilities; and home-based settings, important for social services. Again, such nonservice components of spending as administration are not relevant. The spending figures are presented only for the functional categories for which the question of institutional versus community-based services are most relevant; income-support and educational programs, for example, would be uninteresting in this context.

The results reveal an overwhelming reliance on institutional programs for juvenile delinquents in Texas, a result which had led to long battles between the U.S. Department of Justice and Texas over the deinstitutionalization of status offenders. Psycholog-

Table 14

Public Spending for Children and Youth by Function by Setting, FY 1978
(in millions of dollars)

	Institution Based	*Community Based*	*Home Based*	*All Settings*	*Not Relevant*
Health	28.9	58.3	0	1.3	45.0
Social services	0.4	50.9	5.5	0.9	1.6
Justice	38.8	4.6	0.6	0	0
Psychological services	22.3	32.8	0.01	.04	3.0

Table 15

Public Spending for Children and Youth for Selected Target Groups by Setting, FY 1978
(in millions of dollars)

	Institution Based	*Community Based*	*Private Facility*	*Not Relevant*
Emotionally disturbed	21.3	26.5	0.01	0.6
Physical illness/disability	10.0	47.3	0.3	16.7
Developmentally disabled	76.8	1.9	0	0
Multihandicapped	0	5.6	0	0
Variety of disabilities*	0	20.3	0	2.1
Delinquent	35.8	6.4	0	0
Substance abuse	.06	1.0	0	3.0
Dependent, neglected, abused	4.8	34.5	6.0	0

*An additional $7.2 million is used in all settings.

ical services are split between institutional and community-based programs. Evidently, then, Texas has been willing to move toward deinstitutionalized programs for retarded children and those with mental health problems, but not for children and youth who are delinquent—despite a long history of rhetoric that they too would be better off in deinstitutionalized settings. Health programs tend to be community based, and social services are overwhelmingly community based, except for child welfare services, which are generally home based.

There are in addition some differences by sources of funds, with the federal government generally supporting alternatives to institutions more strongly than the State of Texas. In health care, 29 percent of federal funds and 39 percent of state funds go to institutional settings; in psychological services, only 8.7 percent of federal funds support institution-based programs compared to 57 percent of state funds, a difference which is largely due to federal support for community mental health centers and Texas state support for its state schools and mental hospitals. In the area of juvenile justice, however, 96 percent of federal funds and 88 percent of state funds support institution-based treatment, probably because the federal Juvenile Justice and Delinquency Prevention Act grants to promote deinstitutionalization have been slowly assumed by the state.

Of somewhat greater interest is the question of whether programs for specific target groups tend to be institution or community based. Table 15 describes the setting, for all public spending, for specific target groups of children and youth. [Only those groups described in Table 8 for whom the distinction between institutional and community-based services is most relevant have been included.] Two groups—the developmentally disabled and delinquents—are cared for almost entirely in institutional settings. Emotionally disturbed children and youth are evenly divided between institutional and community-based care, and services for disabled and neglected or abused children tend to be community based.

5. The Extent of Preventive Programs

One of the most persistent arguments for social programs is that they should be preventive. The rhetoric of prevention often invokes the memorable phrase of Benjamin Franklin, "An ounce of prevention is worth a pound of cure," which reflects an underlying cost-benefit rationale. In recent years the "medical model"—the treatment of people who are already sick—has come to be criticized as less effective than prevention; as Dr. Robert Bernstein, head of the Texas Department of Mental Health and Mental Retardation (TDMHMR), declared, "I'd like to concentrate on wellness and prevention, not disease."[28] Programs for children and youth have always been particularly susceptible to the language of prevention, precisely because any problems arrested in the early stages of development by definition prevent more serious problems as adults.

Despite the popularity of prevention as a justification, prevention remains an elusive concept, and preventive programs are not easy to identify. One problem is conceptual: to be called preventive, a program must prevent a specific problem, but problems themselves often lie along a continuum, which makes the definition of prevention difficult. For example, emotional distress may lead to alcoholism, which in turn can cause employment problems and health problems, which may cause a loss of income, poverty, further stress on parents and children, and further emotional problems for adults and poor school performance for children. In this scenario, counseling programs, alcoholism programs, employment counseling, and welfare programs can all be considered preventive for at least one of these problems. In addition, programs whose effects are diffuse are often not considered preventive, partly because researchers have often looked for programs with very specific efforts. For example, income-support programs have not usually been considered preventive—after all, families receive welfare benefits only after a problem (poverty) has occurred. Nonetheless, evidence suggests that income-support programs increase birth weight and improve school performance and therefore prevent some problems associated with these situations.[29]

A second problem involves uncertainty over which programs actually work. Many of the best-documented examples of preventive programs come from the health field; immunizations provide an obvious case where low-cost procedures can forestall expensive illnesses. Fluoridation, prenatal care to prevent low-birthweight babies, motorcycle helmets, seat belts and child auto seats, PKU and other metabolic screening programs, the elimination of lead paint, the introduction of flame-retardant pajamas for children, and the regulation of crib design to prevent strangulation are other preventive measures whose effectiveness has been well-documented.[30] Nutrition programs, especially the WIC program for pregnant mothers and infants, have also been shown to improve nutrition and prevent various health-related problems.[31] Early childhood programs (including Head Start) have been shown to improve school performance and to reduce (or "prevent") educational retardation and the need for special education,[32] and they may therefore prevent problems for children as well as preventing poverty for their parents.

However, many other programs designed to be preventive are difficult to evaluate, and others prove to have no substantial effects. The 1962 Amendments to the Social Security Act instituted a "services strategy," designed to prevent poverty by providing low-cost services to enable the poor to work their way out of poverty; for example, subsidized child care might prevent poverty if it allows a poor single mother to work. This strategy lives on in the Title XX program and other social services, but the services strategy itself has been discredited as it has become clear that poverty cannot be easily prevented with low-cost services. Informational programs are often designed to be preventive, and include sex education, alcohol and drug abuse programs, antismoking campaigns, public information about good nutrition and the value of exercise, and driver education. Unfortunately, many of these programs are pallid compared to the problems they are designed to prevent—antismoking campaigns are trivial compared with the volume of advertising for smoking, for example—and the effects of diffuse

information have never been well substantiated.[33]

Thus the conception of which programs can be considered preventive remains unclear in many cases. Partly for that reason, the magnitude of prevention efforts relative to more conventional treatment programs remains obscure, despite the amount of rhetoric surrounding prevention. In an attempt to examine the prevalence of prevention in Texas, we have coded programs according to their point of intervention, or the stage of a problem at which a public program intervenes. We developed the following categories, designed to reflect the *intentions* (not necessarily the results) of different programs:

1. prevention of a disease or problem—those activities designed to reduce the incidence of a specific disease or problem;
2. health promotion—activities which are not problem oriented, designed to promote growth and health development;
3. early detection and screening—activities designed to detect and diagnose specific problems;
4. treatment—activities intended to reduce the duration or intensity of a problem once it has occurred;
5. rehabilitation—efforts to reduce the impairment or limitations associated with a problem, once it has occurred;
6. monitoring—activities to keep track of the current condition of children and youth with specific problems.

In addition, some programs are so diffuse or varied in what they do that no specific coding is possible; these relatively few programs have been included in a residual category, labeled "other" in Tables 16 and 17.[34]

Table 16 presents the results of these codings, for the four functional areas for which they are the most relevant. Evidently, preventive activities are relatively trivial except in social services, where they account for 49 percent of all spending; this finding reflects the origin of most social services (and Title XX services in particular) as efforts to prevent poverty, institutionalization, child abuse, or other later serious problems. Many drug and alcohol abuse programs are included as preventive social services, and many child welfare programs are also considered preventive. In contrast, preventive programs account for only 8 percent of health programs (largely for immunizations), 4 percent of juvenile justice programs, and 2 percent of psychological services.

In addition, early detection programs are important in health, accounting for a substantial 24 percent of total spending. However, this example shows how difficult the concept of prevention is: the health-related early detection activities largely support the Early Periodic Screening and Diagnostic Testing (EPSDT) program, funded by Medicaid and designed

Table 16

Public Spending for Children and Youth by Point of Intervention for Selected Functions, FY 1978
(in millions of dollars)

	Health	*Social Services*	*Justice*	*Psychological Services*
Prevention	11.3	29.2	1.8	1.3
Health promotion	1.1	1.6	0.18	0.005
Early detection	31.5	5.3	0	5.7
Treatment	83.5	10.3	27.0	40.1
Rehabilitation	4.0	10.0	14.9	5.5
Monitoring	0.85	1.4	0	0
Other*	1.3	1.5	0	5.6
TOTAL	133.5	59.3	43.9	58.2

*Programs with too many purposes to assign to one category were coded "other."

to screen young children for undetected health problems. Unfortunately, the EPSDT program has been frequently criticized for failure to treat the problems discovered, and therefore it may in practice not be preventive at all.[35]

Early detection also accounts for about 10 percent of all spending for social services and psychological services, but no juvenile justice funding at all. There is also almost no spending for monitoring, suggesting that there are few efforts to keep track of children and youth with specific problems; this may imply a lack of rational planning to get resources to those children and youth who could benefit the most. Health promotion, a category of general and diffuse efforts, is also relatively small. Obviously, then, most funds are spent in the categories of treatment and rehabilitation (often difficult to separate in practice), which account for 66 percent of health spending, 34 percent of social services, 95 percent of juvenile justice funds, and 78 percent of psychological services. Evidently, then, Texas has—with the exception of some social services—chosen to treat the problems which children and youth suffer, but not generally to prevent them.

We can analyze spending by point of intervention in several other ways. The funds which support prevention tend to come somewhat disproportionately from the federal government. Of all prevention funds in the area of health, 63 percent comes from the federal government (compared to 51 percent of all funds); 74 percent of preventive social service money compared to 71 percent of all funds come from the federal government; and 47 percent of preventive psychological services come from federal funds, compared to 26 percent of all such services. Only in the juvenile justice system (where preventive funds are almost nonexistent anyway) is federal money for prevention trivial.

We can also examine the ages of children and youth who benefit from preventive programs. In health programs, 21 percent of prevention funds are spent on children 0-5, 14 percent on those 6-11, 36 percent on those 12-17, and 30 percent on those 18-21. While this division may be appropriate—if, for example, immunization programs for young children are inexpensive—it still contradicts the common assertion that preventive efforts should focus on the youngest ages. In social services, 43 percent of preventive funds are spent on children 0-5, and another 43 percent on those 6-11—largely reflecting the dominance of child welfare funds among preventive social services. Preventive funds for justice programs and psychological services go almost entirely to teenagers, since they are the only ones who use these programs. Generally then, there is no distinct tendency to use preventive funds for the youngest children, except for child welfare.

Finally, Table 17 describes spending by point of intervention for selected target groups. In the category

Table 17

Public Spending for Children and Youth by Point of Intervention for Selected Target Groups, FY 1978
(in millions of dollars)

	Emotionally Disturbed	*Disabled**	*Delinquent*	*Substance Abusers*	*Dependent/ Neglected/ Abused*
Prevention	0.38	3.3	1.8	1.1	27.9
Health promotion	0.18	51.9	0.18	0	0
Early detection	6.2	0	0	0	0.41
Treatment	32.9	99.0	22.3	3.0	8.0
Rehabilitation	3.5	18.9	17.9	0.015	8.9
Monitoring	0	1.4	0	0.010	0
Other	5.3	7.5	0	0	0
TOTAL	48.5	182.0	42.2	4.1	45.2

*Includes physically disabled, developmentally disabled, and those with a variety of disabilities.

of drug and alcohol abuse, 27 percent of all funds support preventive efforts, almost entirely for education programs. For dependent, neglected, and abused children, prevention is responsible for a majority (62 percent) of total funds, with treatment and rehabilitation accounting for the rest. Most of these "preventive" funds support day care and foster care—that is, "secondary" prevention efforts designed to protect children from being further neglected or abused once a problem has been identified, rather than prevention of the problem in the first place ("primary prevention").[36] For the other target groups included in Table 17, preventive efforts are relatively small, accounting for less than 1 percent of funds for emotionally disturbed children, about 2 percent for all types of disabilities, and 4 percent for delinquents.

As a comparison of Table 16 and 17 with Table 3 and Table 8 clarifies, those programs which can be specifically considered preventive are trivial, compared to the much larger and more diffuse programs of income support, nutrition, and day care, which also have some preventive potential. One possible conclusion is that truly preventive efforts—immunizations and product safety, for example—tend to be focused on a very specific problem and by construction cost very little, so that relatively low spending on preventive programs is appropriate. A different conclusion, however, is that advocates of prevention have generally neglected the most important preventive programs; rather than devising small, experimental programs intended to prevent specific, narrowly defined problems, children and youth might be better off if we concentrate on the larger programs of income support, nutrition, and (at the most general level) community development, which can influence many different aspects of a child's life, especially for poor children.

In these results, it is difficult to find much fiscal commitment to Benjamin Franklin's familiar maxim. Part of the problem, of course, is that some of the most powerful preventive programs fall outside the scope of programs which are considered to benefit children; for example, public employment and training efforts, macroeconomic policies designed to reach full employment, antidiscrimination measures, and other employment-related policies may do more for children than any specifically child-related programs.[37] Even within programs designed specifically for children, however, we tend not to invest in preventive programs, at least not to the extent that we invest in conventional treatment and rehabilitation programs. Why this is true is not entirely clear and will require a broader analysis than is possible with spending figures. However, these results suggest that the simple rhetoric justifying preventive programs and the constant pressure to shift from treatment to prevention need to be examined more carefully, since we have largely not implemented these noble intentions with public funds.

6. Nonservice Elements in Public Spending for Children and Youth

Not all spending for children and youth goes for direct services or (in the case of income support programs) the direct provision of income and in-kind transfers. Administrative costs are a necessary aspect of all public programs, and a variety of other ancillary services—staff development, coordination with other programs, and evaluation, for example—are necessary to providing services. In fact, many of these ancillary services improve the effectiveness of direct services. For example, evaluation can in theory distinguish effective from ineffective programs and allow public funds to be used for effective programs only; coordination among programs has long been promoted as a way to decrease the "gaps and overlaps" among services.[38] Therefore, the nonservice components of children's programs may in some cases be the most effective ways to promote the overall efficiency of public spending. On the other hand, the common criticism that administrative and other "overhead" costs are too high reflects a feeling that, valuable though such expenditures may be, they sometimes expand past the point of real effectiveness. The conditions under which nonservice spending becomes wasteful is of course an issue which cannot be analyzed simply by examining spending patterns; however, we can still examine the patterns of nonservice spending as a way to understand the gross magnitudes involved and the differences among types of programs.

Table 18 describes public spending for children and youth in categories of nonservice spending; in this table, direct services are therefore the spending left over after nonservice categories have been subtracted.[39]

Table 18

Public Spending for Children and Youth by Function for Nonservice and Service Components, FY 1978
(in millions of dollars)

	Research/ Administration	*Staff Evaluation*	*Staff Development*	*Information Dissemination*	*Contract/ Grant Management*	*Direct Service*	*No Distinction Possible*	*Proportion Administration*
Education	1,882	6.4	344	0	147.9	2,604	148.5	41%
Health	7.8	0.6	0.4	0.3	0	115.8	8.7	6.2
Income support	26.7	0	0	0	0	110.1	498.1	19.5
Food	145.8	0	0	0	10.3	219.4	0	41.6
Social services	4.2	0.02	0.15	0.03	4.7	44.7	5.5	16.5
Day care*	4.8	0	0	0	0	33.2	0	12.6
Justice	8.1	0.2	0.3	0.02	3.3	32.1	0	26.2
Employment	3.5	0	0	0	21.0	22.5	94.3	52.1
Recreation	4.7	0	0	0	3.2	3.9	1.4	66.9
Psychological services	16.1	0.7	1.0	0.09	.2	35.7	4.4	30.3

*Of the $33.2 million spent on service, $4.2 million is spent on regulation and licensing.

Unfortunately, most of the categories other than administration have little money in them, although it is possible that the administration category conceals other kinds of spending. Only contract/grant management contains significant amounts of spending. This category might well be considered part of administration, and in some agencies (notably in the Texas Department of Health and the Texas Department of Human Resources [TDHR]) we cannot be sure that contract management has been adequately separated from general administration. Contract management has become increasingly important as state agencies provide fewer services directly and instead contract with other local agencies to provide services. One other potentially interesting category—regulation and licensing—has a significant amount of money only for child care, where it accounts for $4.2 million or 11 percent of total spending.

In the last column of Table 18, we have presented the ratio of expenditures for administration plus contract and grant management to total expenditures (except those for which no distinction is possible), to reflect the general importance of administrative spending. The figures vary wildly, from 6.2 percent for income support to 67 percent for recreation; several figures are much too high to be credible. The data we have used may not be accurate enough to distinguish administrative spending from services reliably; the existence of a large residual category ("no distinction possible") is one indication of how difficult this task is. However, the results do confirm one finding related to general concerns about nonservice spending: the state of Texas spends very little for research, evaluation, staff development, and information dissemination. If these functions do indeed contribute to the efficacy of programs for children and youth, then it will be necessary either for the federal government to increase its funding for these specific purposes or for the state of Texas to revise its own spending patterns drastically. In addition, the results highlight a continuing problem with social programs: the administrative expenses in general functional areas—including nutrition programs, income support, and employment programs—contain considerable funds for eligibility determination. To some extent, these programs have been caught between two conflicting pressures from conservatives: the pressure to eliminate fraud and abuse, which requires higher administrative expenditures; and the pressure to eliminate "waste and fat," which implies that administrative spending should be kept low to free more funds for direct services. These results suggest that, since administrative expenditures have been pushed quite high in several programs, it would be worthwhile for Texas administrators to examine the effectiveness of such spending in greater detail.

7. The Administrative Structure of Children's Programs in Texas

Table 19 presents expenditures for children and youth in Texas according to the agencies which administer programs. This table clarifies how complex the administration of revenues for children and youth can be: the largest amounts of federal funds are administered by state agencies, but substantial amounts—particularly for Social Security and CETA—bypass state agencies. In turn, the state distributes some of its funds to local communities and agencies, which also receive federal funds and provide their own tax revenues; for example, TDMHMR distributes federal funds to local community mental health centers, which also receive some grants directly from Washington, funds from TDHR through Title XX, private funds from United Way, and some local public funds. The largest single state expenditure for children and youth is state aid to elementary and secondary education, which flows to local school districts who have their own funds and some federal funding directly from the U.S. Office of Education. Thus the administrative structure of programs for children and youth is still more complex than we can understand simply by examining the federal and state agencies contained in Table 19.

Obviously agencies differ widely in their sources of funds. Such agencies as the Texas Department of Community Affairs (TDCA), which was created to administer federal programs, and the Texas Employment Commission (TEC), rely almost entirely on federal funds; others—such as the higher education agencies, the Texas Youth Council, the Department of Corrections, and TDMHMR—receive rather small fractions of their funds from the federal government. Again, we must remember that in some programs—especially income support, health, and food programs—a substantial fraction of state funds are required for participation in federal programs, as described in Table 2 above; therefore much of the state revenue administered by the Texas Department of Health (TDH) and TDHR is in fact required for federal participation.

The different agencies are generally distinguished by functional separation; that is, the Texas Youth Council and the Texas Department of Corrections have almost exclusively justice-related programs; funds in TDMHMR go almost entirely for psychological services; the various education agencies provide only a very small amount of social services and psychological services in addition to education; and 71 percent of TDH's budget goes for health programs.

However, there are some functions which are spread broadly over several agencies, and this pattern—common to many states—of dividing similar services to children and youth among agencies can cause serious problems of coordination among programs with similar goals.[40] For example, 56 percent of all health-related spending which benefits children and youth is administered in TDHR, which is responsible for the Medicaid program; TDH, surprisingly, has responsibility for only 34 percent of health spending, through a complex of such programs as maternal and child health, the EPSDT screening program, immunizations, and community health centers. (The remaining 10 percent of health spending takes place in a variety of other agencies, especially the Texas Rehabilitation Commission [TRC].) Food programs are largely administered by TDHR, through the food stamp program, but large amounts of spending are administered by local school districts for school lunch and breakfast programs, and TDH administers about 5 percent of total food spending for the WIC program. Employment-related programs are administered through local CETA prime sponsors; through TDCA (for the CETA "balance of state" money); through the Texas Employment Commission, which handles the Employment Service; and through the Texas Rehabilitation Commission for handicapped youth. Day care is provided through TDHR and through Head Start agencies, which may be handled by local governments or private nonprofit agencies. Other social services and psychological services are provided by a welter of different agencies, including the Texas Commission on Alcoholism, TDCA, TDHR, TDMHMR, TRC, and the various agencies and commissions for the blind and deaf—though it is difficult at the aggregate level to examine the extent of overlap because the variety

Table 19

Public Spending for Children and Youth in Texas by Revenue Source by Agency, FY 1978
(in millions of dollars)

	Federal Revenue	*State Revenue*	*Local/Other Revenue*	*TOTAL*
Funds administered by state agencies:				
Commission on Alcoholism	0.18	.05	0	.23
Coordinating Board	2.29	17.12	0	19.41
Public junior colleges	2.45	83.99	17.44	103.88
State colleges and universities	74.60	260.30	0	334.90
Texas Education Agency*	358.50	2,147.00	1,876.00	4,381.50
Teacher Retirement System	0	323.00	0	323.00
Texas Department of Community Affairs	23.96	.81	1.03	25.80
Texas Employment Commission	15.09	.04	0	15.13
Texas Department of Health	28.75	34.93	.03	63.71
Texas Department of Human Resources	404.50	108.00	6.40	518.90
Texas Department of Mental Health and Mental Retardation	6.40	84.28	6.66	97.34
Texas Rehabilitation Commission	11.20	2.44	0	13.64
Texas Youth Council	2.56	28.43	.46	31.45
Texas Department of Corrections	.03	15.40	0	15.43
State Commission for the Blind	1.69	1.27	.03	2.99
Texas Commission for the Deaf	.79	.47	0	1.26
Texas Schools for the Blind and Deaf	1.17	8.51	0	9.68
Governor's Coordinating Board for the Visually Handicapped	.01	.03	0	.04
Parks and Wildlife	0	11.70	0	11.70
Federal funds distributed directly to local governments and agencies:				
HEW, health-related	13.90	0	0	13.90
HEW, Office of Education	16.90	0	0	16.90
HEW, Social Security Administration	498.00	0	0	498.00
HEW, Office of Special Services	32.46	0	0	32.46
Dept. of Labor, CETA funds	94.30	0	0	94.30

*Includes local school district spending.

of specific services is so great.

The same kind of fragmentation among different agencies also takes place with services for selected target populations. The best example occurs in programs for handicapped children, who are provided services through local school districts under the Edu-

cation for Handicapped Americans Act, through TDH, TDHR, TRC, TDMHMR, and through four different commissions and agencies for the blind and deaf. Since the funds for children and youth with various handicaps are not large to begin with, the dispersal of funds in many small agencies—each with different procedures, priorities, eligibility criteria, and outreach mechanisms—may be an inefficient way to help handicapped children.

The problems of dispersing similar services and programs for specific target populations among a number of different agencies is one common to most states. The administrative structure of state agencies in Texas—with the largest agencies organized along functional lines (e.g., TDH concerned with health, TDMHMR with retardation and mental health, and TDHR with welfare issues) and a few smaller agencies and commissions having responsibility for specific groups (e.g., the Texas Rehabilitation Commission and the State Commission for the Blind)—is similar to that in most other states. Inevitably, the emphasis on departments organized along functional lines has meant that programs for specific groups—children and youth in general, or more specific target groups of children and youth—are scattered throughout different agencies.

In addition, because federal programs often have mixed or ambiguous functions, it also proves impossible to prevent different functional areas (such as health, nutrition programs, or social services) from being scattered among agencies. The response in some states has been to reorganize state agencies, to provide one agency responsible for children and youth, for example; despite its appeal, this approach seems to have no particular advantages.[41] The response in Texas has been to establish a series of mechanisms to coordinate programs among different agencies. This approach seems also to have yielded few results; the disinterest of governors and powerful politicians in Texas, the political weakness of the governor relative to the strength of boards and commissions which govern state agencies, and the lack of any financial commitment to coordination have meant that there has been no central power to force agencies to coordinate their efforts.[42] Coordination issues and administrative problems remain difficult and seemingly intractable, in Texas as in other states. These problems will be resolved only when greater political interest and public resources are committed to the problems of administering programs for children and youth.

8. Some Conclusions

At the end of our odyssey through spending patterns for children and youth in Texas, what have we learned?

We have confirmed some findings of researchers in other states. One of these conclusions, of course, involves the fragile nature of the available data. The need to make a series of complex estimates to assemble a children's budget in Texas reveals the limits of our knowledge about how public funds—and such quasi-public funds as charitable giving—are spent. In some areas, the data limitations are so severe that no conclusions are possible; examples include the analysis of administrative and other nonservice elements of spending, in Chapter 6, and the effort to analyze the intensity of different programs, in Table 10. Data will improve only with a commitment by federal and state officials to collect systematic information on spending for specific recipients, and to coordinate the reporting of data about public programs so that different sources can be readily combined. So far, there has been no such commitment in Texas. A step in the right direction is the continuation of the Services Information Management System (SIMS) data, which we have used in our analysis; however, this data base still remains incomplete, in ways we outline in Appendix A.

A second finding we have corroborated is the dominance of education, particularly for state and local expenditures. To be sure, this dominance may be relatively extreme in Texas, since the state has chosen to fund other programs—especially such basic income-support programs as AFDC, Medicaid, and food stamps—at low levels, and since county governments and municipalities contribute relatively small amounts to nonschool spending. In other, more liberal states, education is likely to be a smaller fraction of total spending.

A third finding, surprising in its magnitude, is the variation in spending patterns among different sources of governmental funds. The difference between state and local expenditures—which are concentrated in education, health (especially for public hospitals), and recreation—and federal spending—which funds education in a much smaller proportion and which funds a wide variety of programs—is the most obvious variation among funding services. This difference illustrates a "division of labor" among levels of government, with the federal government supporting most of the programs for low-income children (with the partial exception of public hospitals), and state and local governments funding more traditional education and recreation programs.

Of considerably greater interest, however, are the novel findings which emerge from assembling complex data on spending for children and youth. Among the most striking is the finding that public spending does not tend to support low-income children disproportionately. On the contrary, the dominance of educational funds (which tend to benefit middle- and upper-income children, especially in the case of higher education) the concentration of federal tax expenditures on benefits to middle- and upper-income families, and the emphasis of charitable giving on private education mean that social spending benefits middle- and upper-income children more than low-income children. The image which often seems to dominate the public consciousness—of public funds being spent overwhelmingly to provide income support and social services to the children of deadbeat parents and welfare "queens"—is quite wrong, since it ignores the large sums which are expended through tax expenditures, private charity, and general education.

Another surprise involves the composition of charitable spending. The level of private giving which benefits children and youth is substantial—about 12 percent of both total and nonschool expenditures (excluding religious giving). The image that many people hold of charitable giving (and which the charitable sector itself often tries to reinforce) is one of support for innovative programs, for the neediest, and for those who are forgotten by the public institutions. In fact, the vast majority of private spending goes for the most conventional programs—religion, private education of the most ordinary sort, hospital construction, the scouts, the Ys, and museums and other civic ventures. These are all worthy ventures, but they are not in any way novel, experimental, or likely

to produce great innovations in the next generation of public programs. In addition, while many activities supported by private charity are open to all—religion, recreational programs, and many civic and cultural programs—vast sums of private funds support institutions which tend to serve upper-income children, especially in private education and private hospitals. The amount of income support and social services which tend to benefit the poor is, in contrast, a relatively small fraction of charitable giving—perhaps 5 percent—and charity provides a trivial fraction (perhaps 4 percent) of all income support and social service (including day care) for children and youth. To be sure, innovative and caring programs are funded by private charity, and remain important for the children and youth they serve, but the greatest proportion of private giving supports much more ordinary programs.

Another surprising finding is the magnitude of federal tax expenditures, accounting for 17 percent of all spending, 40 percent of nonschool spending for children and youth, and 50 percent of total federal expenditures. The composition of tax expenditures is strikingly different from the composition of direct federal expenditures, with a much higher proportion spent on income-support programs (including housing subsidies) and health than is true for direct expenditures. However, the most remarkable difference is that, while direct federal spending is largely concentrated on low-income children and those with special needs—for example, handicapped, unemployed, delinquent, or uneducated children—by far the majority (about three-quarters) of tax expenditures benefit children of middle- and upper-income families. Tax expenditures have been haphazard in their growth, largely unplanned, without thorough public discussion about the important needs of children, and they remain uncoordinated with programs of direct expenditures. The problems of tax expenditures and their magnitude clarifies how incoherent federal policy toward children and youth has been.

Despite the chaotic state of federal policy, direct federal funding is still vital for children and youth because of the magnitude of federal funds (especially for nonschool programs), because federal funds constitute the bulk of spending on low-income and special needs children, and because the federal government has induced the state to spend their own funds for programs—including income-support programs and services for children with special needs—which the states would otherwise tend to ignore. The federal government has played a progressive role in several other areas as well by fostering community-based rather than institutional programs, and by supporting preventive programs.

Above all, the finding that direct federal government expenditures account for 35 percent of all nonschool spending and 69 percent of all direct governmental expenditures for nonschool purposes clarifies the importance of federal funding for the vast variety of programs which serve children and youth. In contrast, the State of Texas (and most other states as well) has played almost a completely passive role, responding to federal mandates but otherwise playing no active role of its own for children and youth. Texas has been reluctant to spend its own funds for children and youth, except for education. It has generally been reluctant to support children with special needs with the exception of children and youth who may be disruptive, for whom the state has spent substantial sums for institutions for juvenile delinquents, schools for the mentally retarded, and state hospitals.

The dominant role of the federal government and the relatively passive stance of Texas bodes ill for the future of children and youth in Texas. Unless the state begins to display an initiative which it has never shown in the past, the efforts of President Reagan to reduce the federal funds for social programs and to minimize federal requirements on the states will leave a situation of general indifference to the needs of children and youth, an unwillingness to support the most needy among them, an unwillingness to experiment with novel and more progressive approaches, and—given the failure of past efforts to coordinate existing programs—an inability to govern programs very effectively. The efforts to reduce federal restrictions in order to give free reign to state leadership and initiative will count for nothing if the individual states remain passive and indifferent.

Other trends now sweeping the country will exacerbate problems we have identified in public spending for children and youth. One is a renewed enthusiasm for the private sector, and specifically for private philanthropy as a way to replace public funds with private initiative. In furtherance of this dream, private charities have begun to press for increased tax breaks for charitable giving,[43] and President Reagan's tax reductions—the Economic Recovery Tax Act of 1981—extended income tax deductions for charitable giving to nonitemizers. The figures on charitable spending in Texas clarify, however, how hopeless this dream is.

First, all private charity—important as it is—still contributes only 69 percent of total direct federal funds and 36 percent of noneducational federal funds, so that substantial cuts in federal funds could be replaced by charitable giving only if private donations increased at a very rapid rate. For example, a reduction in direct nonschool federal spending of 25 percent in 1978—the magnitude of cuts proposed by President

Reagan—would have required a 69 percent increase in charitable spending for nonschool purposes to offset them, whereas annual increases have been only about 10 percent over the past few years.[44]

Second, the composition of private charity has been so different from the composition of federal spending that a complete redirection of private spending would be necessary to compensate for the Reagan reductions. In the areas of the largest fiscal cuts—in child nutrition programs, social services, and employment and training programs—private charity spends almost nothing; conversely, no amount of spending on religion, private higher education, the scouts, and private hospitals will help the poor children who have borne the brunt of federal budget cuts. Unless a redirection of charitable spending takes place, then, any efforts to increase private spending—either by appealing to the humanitarian sentiments of individuals and corporations, or by increasing tax incentives for private giving—will only result in more funds for religion, for recreation and civic activities, and for middle- and upper-income children.

Still another trend which will affect public spending for children and youth has been the tendency over the past decade to use federal tax expenditures in place of appropriated expenditures. The result is that, between 1975 and 1979, tax expenditures grew 62 percent, while direct federal expenditures grew 51 percent, and the difference is expected to widen between 1980 and 1985.[45] If anything, we can expect the resort to tax expenditures to increase during the Reagan administration rather than to decrease. His "supply-side" program to stimulate the economy operates largely through tax subsidies to corporations. In social policy, Reagan's tax bill increased tax credits for child care—most of which go to higher-income families—while his budget cuts reduced direct expenditures for social services by 23 percent. Also, Reagan has promised to increase tax credits for private education while he is in the process of reducing federal grants and loans for higher education. The Economic Recovery Tax Act of 1981 increased tax expenditures by $1.4 billion[46]—above and beyond the tax subsidies to corporations for investment purposes—even while President Reagan was attempting to cut social spending by about 25 percent.

The increasing reliance on tax expenditures and further reductions in appropriated expenditures will further skew the composition of total spending for children and youth—toward health care for the wealthy and away from Medicaid for the poor, toward subsidies for home ownership and away from housing subsidies for the poor, toward tax credits for child care used by middle-class professionals and away from social services for the poor, and toward tax breaks for private education and away from compensatory education programs. While these trends are consistent with the new antipathy in Washington toward the poor and a new-found love for funneling public funds toward the well-to-do, they represent uses for public funds which are neither efficient nor equitable.

It is difficult to be complacent about the spending patterns we have uncovered. The inequities in social spending for children and youth are serious, spending patterns are uncoordinated, unplanned, and—especially in the case of charitable giving and tax expenditures—not always a subject of public discussion and debate. Even with the programs which existed in 1978—many of them the legacy of the Great Society, a period of expansion in special programs which many have interpreted as a great boon to children and youth—the deficiencies of existing spending patterns are serious, and they are likely to become more serious still over the next few years. It is hard to see in these spending patterns the signs of a child-centered society; it is easier to recognize the state of events that Grace Abbott complained of in 1932:

> In its provision for the children in need of special care the state has ... undertaken to provide for their care only when the evidence of need made such action inevitable. Reluctant to undertake a clear duty, it is not surprising that legislators have sought to provide not "what the best and wisest parent wants for his own child" but the cheapest possible care, and that lawmakers have been slow to recognize that this not only violated sound humanitarian tenents but was in the long run a very costly economy.[47]

Although we may have made some progress since the 1930s, our social spending policies for children and youth still have far to go.

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[2] This passage is from a speech entitled "September Song," given four months before Johnson died; quoted in Douglass Cater, "The Political Struggle for Equality of Educational Opportunity," in *Toward New Human Rights: The Social Policies of the Kennedy and Johnson Administrations*, ed. David C. Warner (Austin: Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, 1977), p. 339.

[3]Sheldon Danziger and Robert Plotnick, "Demographic Change, Government Transfers and Income Distribution," *Monthly Labor Reivew* 100 (April 1977): 7-11. For poverty rates see U.S., Bureau of the Census, "Characteristics of the Population Below the Poverty Level: 1978," *Current Population Reports*, P-60, no. 124 (July 1980), table 1.

[4]For a broader analysis of intergovernmental problems as they affect Texas, see W. Norton Grubb, Lodis Rhodes et al., *Funds, Force, Friction: Intergovernmental Relations in Programs for Children and Youth in Texas* (Austin: LBJ School of Public Affairs, University of Texas at Austin, forthcoming 1982). On the specific problems of coordination, see John Mudd, "Services Coordination and Children," Children's Defense Fund, Washington, D.C., April 1980.

[5]The attempts to examine spending take several forms. One effort compiles trends in federal spending between 1964 and 1980; see Charles Brecher and Raymond Horton, "Trends in Federal Expenditures for Youth" Conservation of Human Resources, Columbia University, New York, May 9, 1980. Two groups have constructed children's budgets for individual cities: see Charles Brecher and Raymond Horton, "The Nature and Scale of Total Public Expenditures in New York City and Houston," Working Paper No. 2, "The Youth Budget: Expenditures, Equity, and Effectiveness" Conservation of Human Resources, Columbia University, March 1980; and Trude Lash and Heidi Sigal, *State of the Child: New York City* (New York: Foundation for Child Development, April 1976), ch. 13, "Budgets for Children." Several efforts detail spending patterns for states: *North Carolina Investments in Children*, (Raleigh: Office of the Governor, June 1979); State of New York, *Children's Budget 1980-81* (Albany: Office of the Governor, 1981); *Ohio Children's Budget Project: A Public Policy Study* (Cleveland: School of Applied Sciences, Case Western Reserve University, September 1975); *The Children's Puzzle: A Study of Services to Children in Massachusetts* (Boston: Children Services Task Force, Institute for Governmental Services, University of Massachusetts, February 1977), and "Services to Children and Youth Administered through State Agencies in California," Office of the Auditor General, California Legislature, Report 816.1, June 1978. A "children's budget" is being compiled for Illinois by the Children's Policy Research Project, School of Social Service Administration, University of Chicago. One additional study examined services in a preliminary way in California, Michigan, and New York and drew selectively on available data: see Michael Kirst, Walter Garms, and Theo Oppermann, "State Services for Children: An Exploration of Who Benefits, Who Governs," *Public Policy* 28 (Spring 1980): 185-206.

[6]For the California results, see Kirst, Garms, and Oppermann, "State Services"; for the Texas results, see W. Norton Grubb and Julia G. Brody, "Once More with Feeling: Spending Inequalities for Children's Programs within Texas," *Annals of the American Academy of Social and Political Science* (forthcoming in Spring 1982); and W. Norton Grubb, "Who Shall Suffer the Most? Inequalities in Welfare Programs within Texas," unpublished, Austin, Texas, October 1981.

[7]There have been several other studies of programs for children and youth in Texas, but most of them have been lists of available programs. See, for example, *Services for Texas Children, 1979-80* (Austin: Texas Department of Community Affairs, 1981); Children and Youth Services Division, *Children's Yellow Pages: A Texas Directory* (Austin: Texas Department of Community Affairs, Early Childhood Division for the Texas Interagency Collaboration Project, September 1978). An earlier effort to examine funding patterns—which described funding levels for child care, health and nutrition programs, mental health and mental retardation, services for handicapped children, protective services, and juvenile justice—was Teresa Gillius and Jean Lyons, *Texas Budget for Children and Youth: A Policy Analysis* (Austin: Children's Services Research Project, April 1979).

[8]Center on Social Welfare Policy and Law, "Table of Annual AFDC and Food Stamp Benefits for a Family of Four

with No Other Income—1978," New York, March 1979; U.S., Bureau of the Census, "Demographic, Social, and Economic Profile of States: Spring 1976," *Current Population Reports*, P-20, no. 334 (January 1979), table 26, p. 68; *Social Security Bulletin*, December 1978, Table M-35, p. 60. These figures are for June 1978.

[9]U.S., Department of Health, Education, and Welfare, Health Care Financing Administration, *Medicaid Statistics, July 1978*, table 9, p. 18.

[10]National Center for Educational Statistics, *Digest of Educational Statistics 1980*, table 70, p. 78.

[11]U.S. Bureau of the Census, "Demographic, Social and Economic Profile of States: Spring 1976," *Current Population Reports*, P-20, no. 334 (January 1979), table 14, p. 42-43, and table 26, p. 69.

[12]Ibid., table 1, pp. 10-21.

[13]Ibid., table 15, p. 44.

[14]U.S., Bureau of the Census, "Estimates of the Population of States, by Age: July 1, 1971 to 1979," *Current Population Reports*, P-25, no. 875, (January 1980), table 1, p. 2; U.S., Bureau of the Census, *County and City Data Book, 1972*, table 1, pp. 1-14.

[15]U.S., Bureau of the Census, "Annual Estimates of the Population of States, July 1, 1970 to 1979," *Current Population Reports*, P-25, no. 876, (February 1980), table 1.

[16]Information Bulletin No. 2, Information Resource Program, School of Social Work, University of Texas at Austin, July 1981.

[17]For a more extended argument, see Grubb and Lazerson, *Broken Promises*.

[18]U.S., Congressional Budget Office, *Tax Subsidies for Medical Care: Current Policies and Possible Alternatives*, January 1980, table 3.

[19]These figures are reported in data collected by the Special Committee on the Delivery of Human Services, in its Services Information Management System (SIMS). We have made no effort to verify the accuracy of these figures, since we were expressly forbidden by June Hyer, staff director of the Special Committee, from contacting state agencies to verify any Special Committee data.

[20]Alan Sellzer and Armin Freifeld, *An Advocate's Guide to Hill-Burton Uncompensated and Community Services* (Santa Monica: National Health Law Program, September 30, 1979).

[21]Of course, most programs report recipients for age groups which are slightly different from ours, so that some interpolation has been necessary.

[22]The categories in Table 8 are designed to describe the major target population of public programs, and they are constructed to be mutually exclusive. Each program was coded with up to three target populations, in order of importance, since programs can have several different purposes and target populations. The patterns of multiple target populations tend to be obvious and uninteresting; for example, many programs which serve emotionally disturbed children also serve the developmentally disabled; programs for delinquent children also served dependent and neglected children, since runaways and other status offenders tend to fall in both categories. Since these patterns are so obvious, there is no point in analyzing the second or third coding of target populations.

[23]We have consistently considered AFDC a program directed at children because of its historical origins, even though benefits also flow to parents as an unavoidable necessity.

[24]Medicaid data comes from Form SRS-NCSS-2082, "Statistical Report on Medical Care: Recipients, Payments, and Services." Data on state hospitals comes from TDMHMR, *Data Book 1978*, Vol. A, table 36 (Austin, Texas Department of Mental Health and Mental Retardation, n.d.), pp. 54-55).

[25]Brecher and Horton, "Trends," table 5, p. 7.

[26]As we have done in several other cases, we coded direct recipients more than once for those programs which benefit children in several ways. However, analyzing the second coding of recipients added little to the analysis in Table 13.

[27]David Rothman, *Conscience and Convenience: The Asylum and Its Alternatives in Progressive America* (Boston: Little, Brown, 1980); Stephen Schlossman, *Love and the American Delinquent* (Chicago: University of Chicago Press, 1977).

[28]Texas Department of Community Affairs, *78 Things You Need to Know About Texas Children: Still the Darker Side of Childhood* (Austin: Texas Department of Community Affairs, 1978), p. 12.

[29]These results from the Gary Income Maintenance Experiments were published in several articles in the *Journal of Human Resources* 14 (Fall 1979).

[30]See especially, U.S., Department of Health, Education, and Welfare, *Healthy People: The Surgeon General's Report on Health Promotion and Disease Prevention* (Washington, D.C.: Public Health Service, HEW, 1979).

[31]U.S., Congressional Budget Office, *Feeding Children: Federal Child Nutrition Policies in the 1980s*, May 1980, ch. 5.

[32]Irving Lazar et al., *The Persistence of Pre-School Effects* (Denver: Education Commission of the States, February

1977). C. U. Weber, P. W. Foster, and D. P. Weikart, *An Economic Analysis of the Ypsilanti Perry Preschool Project*, Monograph No. 5 (Ypsilanti, Mich.: High/Scope Educational Research Foundation, 1978).

[33]See, for example, A. J. Meyer and J. B. Henderson, "Multiple Risk Factor Reduction and the Prevention of Cardiovascular Disease," *Preventive Medicine* 3 (1972); Lana Muraskin, "Teenage Pregnancy and Sex Education—Any Connection?", Washington, D.C., National Institute of Education, undated.

[34]As for several of the other analytic categories we have developed, we coded programs more than once, for those programs which appeared to intervene at several different stages of a problem. However, the second and third codings of points of intervention yielded no additional insights and so have not been presented here.

[35]*EPSDT: Does It Spell Health Care for Poor Children?* (Washington, D.C.: Children's Defense Fund, 1977), ch. 5.

[36]On the concepts of primary, secondary, and tertiary prevention, see Bernard Bloom, *Community Mental Health: A General Introduction* (Monterey, Calif.: Brooks-Cole, 1977).

[37]Grubb and Lazerson, *Broken Promises*, chs. 3 and 9; U.S., Department of Health, Education, and Welfare, *Disease Prevention and Health Promotion: Federal Programs and Prospects* (Washington, D.C.: Departmental Task Force on Prevention, HEW, September 1978).

[38]See, for example, John Mudd, "Services Coordination and Children," Children's Defense Fund, Washington, D.C., April 1, 1980.

[39]The SIMS data base used in this analysis has a series of "service codes" which identify different kinds of nonservice spending, such as administration, coordination, evaluation, staff development, outreach, and follow-up. However, not only are the SIMS data badly incomplete but also the service codes themselves seem inaccurate in many cases. Therefore we devised new codes to describe nonservice spending, based on service descriptions in SIMS and our own knowledge of programs. The agreement between our coding and the SIMS codes is quite high—about 90 percent—but our codes are more complete and should be more accurate.

[40]On the general problems of coordination in programs for children and youth, see Mudd, "Services Coordination." On the problems of coordination specifically in Texas, see Grubb, Rhodes et al., *Funds, Force, Friction*, ch. 3.

[41]David Austin, "Where Next? The Organization of Human Services at the State Level," Center for Social Work Research, University of Texas at Austin, December 8, 1977.

[42]Grubb, Rhodes et al., *Funds, Force, Friction*, ch. 3.

[43]See, for example, Brian O'Connell, "The Impact That Federal Government Cutbacks Will Have on Philanthropy and Voluntary Organizations," Independent Sector, Washington, D.C., May 15, 1981.

[44]In a similar argument, Lester Salamon has argued that for nonprofit programs to compensate for inflation and the funds they will lose under Reagan's budget cuts—which are only a fraction of total cuts—private giving will have to increase 25.6 percent in 1982, about two and a half times the average increases in the past four years. Lester Salamon and W. M. Abranson, "The Federal Government and the Nonprofit Sector: Implications of Mr. Reagan's Budget Proposal," Urban Institute, Washington, D.C., May 1981, p. 48.

[45]The Congressional Budget Office projects that tax expenditures will grow 90 percent in this period, while direct expenditures will grow 69 percent. U.S., Congressional Budget Office, *Tax Expenditures: Current Issues and Five-Year Budget Projections for Fiscal Years 1981-85*, April 1980, table 2, pp. 12-13.

[46]Ibid., *Fiscal Years 1982-86*, September 1981, table 7, pp. 72-73.

[47]Robert Bremmer et al., eds., *Children and Youth in America: A Documentary History*, vol. 2 (Cambridge: Harvard University Press, 1970), p. 751.

Appendices

A. Data Sources and Coding

The basic data used in this research were originally collected by the Special Committee on the Delivery of Human Services in Texas. This committee, created by Texas Senate Resolution 67 in August of 1978, was instituted to "make a thorough study of the human service delivery system in Texas." The information collected by this committee, formally labeled the Service Information Management System (SIMS), incorporates figures from many different agencies. Information was obtained on spending levels, sources of funds, numbers of individuals served, eligibility criteria, and other aspects of human service programs in Texas during fiscal year 1978.

The Special Committee sent lengthy questionnaires to every state and local agency providing a publicly subsidized human service. To ensure reliability in responding, the questionnaires were accompanied by detailed instructions; a telephone system was also established by the Special Committee staff to answer questions. The rate of the return of the questionnaires was complete, perhaps because the committee had subpoena power.

The original SIMS data base we used included information from the following state agencies: Texas Commission on Alcoholism, State Commission for the Blind, Texas Coordinating Board, Texas Department of Community Affairs, Texas Education Agency, Texas Employment Commission, Texas Department of Health, Texas Department of Human Resources, Texas Department of Mental Health and Mental Retardation, Texas Rehabilitation Commission, and the Texas Youth Council. However, this was not a complete inventory of programs serving children and youth in Texas. For example, only a few programs within the Texas Education Agency were included in the SIMS data; higher education programs were not considered; and the community mental health centers were not included in the state-level data. For our analyses, we added the Texas Schools for the Blind and Deaf, the Teacher Retirement System, Texas Parks and Wildlife Department, public junior colleges, state colleges and universities, Texas Department of Corrections, Texas Commission for the Deaf, the Governor's Coordinating Board for the Visually Handicapped, state psychiatric hospitals and state schools of the Texas Department of Mental Health and Mental Retardation, the Texas Research Institute of Mental Science, and missing programs from the Texas Youth Council. This budgetary information was taken from the Legislative Budget Board, *Legislative Budget Estimates for the 1980-81 Biennium*, January 1979.

Agencies were asked by the Special Committee questionnaires to use the state budget categories of "program" and "activity" to describe the agency's range of functions. The Special Committee also requested more detailed breakdowns of each activity into individual "services." Our analysis uses the most detailed data available. In most cases, this describes a service. However, the use of the service category varied across agencies, and sometimes an agency gave no more detailed information than was contained in the "activity" category; in this case we have been forced to use the spending figures by activity level.

We did not verify any of the data collected by the Special Committee in its SIMS data base, since we were requested by June Hyer, the staff director of the Special Committee, to refrain from contacting the state agencies about this data.

In addition to adding data from the Legislative Budget Board, we also added information on federal programs which are not administered through state agencies but still provide services to Texas children and youth. These programs fell into two categories: programs funded by the federal government directly to local providers, such as Head Start and CETA; and programs administered by the federal government which support individuals directly, such as Social Security and SSI. Data on expenditures in these programs were taken from the Community Services Administration, *Geographic Distribution of Federal Funds in Texas, Fiscal Year 1978*, 1979.

Once the SIMS data plus our relevant additions had been collected, our first step was to identify those services relevant to children and youth. This involved eliminating either services that were intended for adults and the aged or services with only indirect

effects on children and youth (such as highway construction, police and fire protection, and community development). The remaining services, which all provide direct benefits to children and youth in Texas, were then coded on a number of dimensions. These dimensions describe the characteristics of, the rationales for, and the recipients of each service. The categorizations we developed draw on past research on children's budgets and on our own ideas about how spending patterns can be best understood.

Program Functions

Services are categorized according to their functional goals. This categorization used the Special Committee survey data by reducing the SIMS service codes into the following ten program functions:

1. Education—services designed to educate and provide special knowledge consistent with national and state standards. Examples are elementary through college education, and those services connected to the provision of education to children and youth. Educational day care programs, such as Head Start are included in this category.
2. Health—activities and services which subsidize and provide health care, services to prevent and treat medical and health-related problems. Only physical health needs are included; programs related to mental health are included under psychological services.
3. Income support—services designed to provide basic living support for the purchase of housing, clothing, transportation, and other goods necessary for daily living. This category also includes benefits from such work-related subsidies as unemployment, as well as AFDC, housing subsidies, Social Security, and tax expenditures for housing. This category does not include food stamps, medical benefits, or payments for public employment under such programs as CETA.
4. Food—services providing food or food coupons and all nutritional services. Examples are food stamps, child nutritional programs, and school breakfast and lunch programs.
5. Social services—services not included in other categories which provide care, support, or assistance to the client in daily living problems. Included are alcohol and drug-abuse-related services, assistance to the blind, such court-related services as adoption services and foster care placement, occupational therapy, advocacy services, Foster Grandparents, and all social services offered by state agencies.
6. Day care—services providing part or all day care of children of parents who choose to delegate this function. This category also includes services which provide, set standards for, or monitor the provision of day care.
7. Justice—activities connected with law enforcement, including investigations, corrections, probation, parole, and incarceration. The emphasis here is on services connected with juvenile delinquency and status offenders; for example, services of the Texas Youth Council are included.
8. Employment—programs designed to aid clients in securing gainful employment. These include vocational guidance, vocational education and training, vocational rehabilitation, job placement, and other occupationally related services. The focus is on services primarily directed to jobs and employment.
9. Recreation/cultural—programs with the stated goal of providing relaxation, culture, and diversion in the form of publicly supplied services. Examples include city softball leagues, Boy and Girl Scouts, recreational park activities, the parks themselves, museums, and other civic activities.
10. Psychological services—services designed to prevent and/or alleviate emotional and mental problems or distress. Included in this category are mental health and psychiatric services, counseling, and services geared to the treatment of problems not included in social or health services.

Setting of Services

Services delivered in institutional settings are distinguished from those delivered in community-based environments. This categorization is only relevant to the program functions of psychological services, justice, social services, and health. It was not considered relevant to the other program functions, such as income support, employment, and recreation, because the settings in which these services are delivered have not been changed by the deinstitutionalization controversy of recent years.

Criteria for each setting were as follows:

1. Institutions—institutions are defined according

to the particular agency's distinctions between institutional and community-based care. For instance, both the Texas Youth Council and the Texas Department of Mental Health and Mental Retardation distinguish between services that are institutional in nature and those that are community based. The institutional category includes state psychiatric hospitals, Texas Youth Council (TYC) state schools for juvenile delinquents, and the state schools for the mentally retarded.

2. Community—those services offered outside institutions. Examples are TYC parole services and halfway house programs, the community-based residential programs of the state schools for the mentally retarded, and community mental health centers.

3. Home—this code was limited to child welfare programs to describe services offered to dependent and neglected children. Adoption and foster care programs were coded as home-based services while group foster homes were considered community based.

Point of Intervention

The different kinds of interventions made by the state can be described according to when and why they are made. To code services on this dimension, we used a problem-oriented approach. Our first step was to determine the problem addressed by the service; then we identified the state's approach to that problem. For example, we considered a program designed to prevent a problem from occurring to be "prevention."

Coding was done manually, based on general information about each service. Our codes described stated goals of programs, not necessarily the actual outcomes. The definitions for each level of intervention are as follows:

1. Prevention—activities directed toward reducing the incidence or occurrence of a specific disease or problem. Included in this categorization were alcohol- and drug-abuse prevention programs, child welfare programs devoted to reducing child abuse, family planning services, research on the prevention of the Sudden Infant Death Syndrome, and the Center for Disease Control program on lead-based paint.

2. Health promotion—activities designed to facilitate growth and development of children. No particular problem is specified. All education activities, including Head Start, Follow Through, Basic Education Opportunity Grants, and other forms of education, are coded in this category.

3. Early detection and screening—activities directed toward screening populations of people in order to detect and diagnose specific problems. The most important example of these programs is the Early Periodic Screening and Diagnostic Testing (EPSDT) program.

4. Treatment—activities directed toward reducing the duration or length of a problem. This code includes programs for runaway youth, community health centers, substance abuse treatment programs, hospitals, community mental health centers, and the majority of Texas Youth Council services unless they are explicitly noted as rehabilitative in nature.

5. Rehabilitation—activities directed toward the impairment or limitations associated with the problem. The goal is to return the person to as normal a state of functioning as possible. This category includes most services offered by the Texas Rehabilitation Commission, services to handicapped children, and developmental disability services.

6. Monitoring—activities recording and keeping track of current conditions and circumstances of children and youth. The epidemiology section of the Department of Health is an example.

7. All—services where distinctions were difficult because the service information was too general or a service included more than a single level of intervention.

Nonservice Expenditures

We identified expenditures devoted to indirect or nonservice activities, such as administration. Although codes similar to ours were included in the SIMS data, they often seemed confusing, incomplete, or inaccurate. The agreement between our own coding and the SIMS codes was approximately 90 percent. The categories of nonservice expenditures include the following:

1. Administration—activities including program planning and development, budget departments, personnel, eligibility determination, regulation and licensing, and all other administrative support services with the exception of those activities included in another category.

2. Citizen participation—activities with the goal

of getting citizen input into planning and delivery of services. An example is the advisory board to TDMHMR.

3. Research and evaluation—activities to determine effectiveness of service delivery and to research both new and present services.
4. Staff development—activities that benefit staff in both professional skills and other more tangible ways. This category includes staff training programs, support for further education, the Higher Education Insurance Program, and the Teacher Retirement System.
5. Information dissemination—activities designed to inform clients and potential clients of services and other useful knowledge. Examples include information and referral services, public information programs, and advertising of services.
6. Contract and grant management—activities involved in providing funds, making vendor payments, and managing in other ways all contracts and grants.
7. No breakdown—no specific breakdown of service and nonservice elements was possible. This code was used when a program was cited without a listing of its specific parts.
8. Direct service—the residual category includes activities that are of direct service to a client. Examples are therapy, group counseling, job placement, residential treatment programs, food stamps, income support checks, immunization programs, recreational park activities, and the actual day care of children.

Character of Beneficiaries

This categorization answers the question, "Why do children and youth receive this service?" Services which go to children because of their age are distinguished from services that are delivered to children because they are part of some larger population. Services for alcoholism illustrate this distinction; teenagers may receive these services, but they receive them as alcoholics rather than as youth. This categorization is based on the following criteria:

1. Because they are children and youth—children receive many services designated specifically for children and youth. Examples include the Runaway Youth Program, services for crippled children, children's services of Community Mental Health Centers, summer youth recreation programs, and school lunch programs.
2. Part of a larger population—children receive services because they are members of some other population. Examples include Developmental Disabilities Services, Family Planning services, the migrant program of the Human Services Administration, the drug abuse program of the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA), and higher education spending.
3. Part of families—children are recipients because they are members of families. Examples include the Work Incentive Program and family therapy.
4. One of a group of target populations—this code is used for services where children are only one of several target populations. The Texas Commission on Alcoholism's program for alcohol prevention, intervention, and treatment of special populations is a good example. It includes youth among six other target populations, such as native Americans, women, and the handicapped.
5. Part of the community—children are recipients because they are members of the community. Examples include parks, community alcohol education, and education services of TDMHMR.

We have also categorized services according to client characteristics. The available data emphasize eligibility criteria and services available in Texas, rather than information about the people who actually use services. We would have preferred to examine the latter as well; information about income, race, and the family structure of recipients would have been very useful. However, this information could not be obtained from the SIMS data.

Age

Services were categorized according to four different age ranges: 0 to 5, 6 to 11, 12 to 17, and 18 to 21. These ranges roughly correspond to schooling stages (preschool, elementary, secondary, and college) and to broad developmental phases of childhood. To estimate expenditures for different age groups, we used data from state agencies on the age distribution of recipients of services. In a few cases where expenditures per person vary by age, actual expenditures for different age categories were used. For example, since Medicaid spending per person is much higher for the elderly than for children and youth, allocating funds according to the numbers of recipients in different

age categories would be grossly misleading; since expenditures by age groups were available, these were used instead.

Target Populations

These categories describe the populations to which services were delivered. They were taken directly from the SIMS data:

1. emotionally disturbed
2. learning disabled
3. physical illness and disability
4. gifted
5. developmentally disabled—mental retardation, cerebral palsy, and epilepsy
6. delinquent, imprisoned, and runaway
7. migrant
8. substance abusers
9. pregnant and teen-age parents
10. refugee
11. unemployed
12. non-English speaking and bilingual
13. multihandicapped
14. student needing compensatory education
15. student needing special education
16. dependent, neglected, and abused
17. wide range of disabilities and problems—more than a single target population was included in the service
18. survivor—Social Security Administration
19. income limitation—AFDC, Medicaid-eligible
20. income limitation—other
21. no limit—all children are eligible for services

Direct Recipient

This categorization distinguishes services which are delivered directly to children from those which flow to children through their parents or community. Only "direct services," as previously determined in the program costs categorization, were considered. The specific codes are:

1. Children and youth—services delivered directly to children and youth. Examples include Basic Educational Opportunity Grants, Head Start day care services, the Runaway Youth Program, and CETA.
2. Parents—services delivered to parents and expected to ultimately benefit children and youth. Food stamps and AFDC are examples.
3. Others—services delivered to the community for institutions. Examples include Emergency School Aid and the Lead-Based Paint Program for the Center for Disease Control.

B. Estimating County and Local Expenditures for Children in Texas

Estimating the expenditures of county and local governments in Texas proves unexpectedly difficult, partly because of the number of these governments and partly because the tradition of localism has meant that no centralized source of fiscal information exists. All county and local governments are required to file a copy of their annual budgets with the State Comptroller General, but these budgets prove to be unusable for our purposes. The set of available budgets in the library of the Comptroller General is incomplete, despite the requirement. Since there is no standard reporting form, some budgets are detailed and precise while others have almost no detail on different spending functions and are so poorly explained as to be incomprehensible. The sheer volume of these budgets—with 254 counties, 1,066 municipalities, and 1,425 special districts—constitutes another problem.

Because of these limitations, the only usable source of information on local and county spending patterns comes from the Census of Governments. The 1977 *Census of Governments* contains information on the spending of all local and county governments and special districts for the fiscal year 1977, by functional categories. The totals for the state, for those functional categories which are relevant to children and youth, are shown in Table B-1. The patterns are familiar enough from common knowledge: municipalities spend a great deal on parks and recreation, on local

Table B-1

Total Expenditures for Related Categories for Local Governments in Texas, 1976-77
(in thousands of dollars)

	Municipalities	*Counties*	*Special Districts*
Education	11,987	900	0
Library	47,469	7,751	0
Cash assistance	338	686	0
Social services	3,309	21,253	0
Hospitals	70,843	325,237	167,511
Health	49,680	21,207	0
Corrections	3,925	52,907	0
Parks and recreation	147,924	14,722	3,180
Housing	12,056	41	66,158
Medical vendor payments	0	1,787	0

Sources: U.S., Bureau of the Census, *Census of Governments: 1977*; vol. 4, no. 4, *Finances of Municipalities and Township Governments*, table 11; vol. 4, no. 3, *Finances of County Governments*, table 6; vol. 4, no. 2, *Finances of Special Districts*, table 6 (Washington, D.C.: U.S. Government Printing Office, 1978).

Table B-2

Estimated Spending for Children and Youth in Texas by Local Governments by Function, FY 1978
(in thousands of dollars)

	Municipalities	*Counties*	*Special Districts*
Education	3,359	495	0
Health	25,217	55,153	24,956
Income support	6,535	401	34,872
Food	•	•	0
Social services	1,568	3,899	0
Day care	•	•	0
Justice	847	11,412	0
Employment	•	•	0
Recreation/cultural	105,462	11,969	1,780
Psychological services	•	•	0
TOTAL	142,988	83,329	61,608

•Small amounts of spending for these functions have been included in other categories.

hospitals and health facilities, and on libraries; they also spend a great deal on education, for community colleges. Most county spending goes for county hospitals, with much smaller amounts in every other category. Both for municipalities and counties, however, the aggregate figures for Texas conceal a great deal of variation within the state. Most municipalities and counties spend literally nothing for cash assistance and social services, but others spend substantial amounts; the city of Arlington spends about two dollars per resident, and Harris County spends about two and one-half dollars per resident. Finally, special districts are important for three functions—hospital districts provide public hospitals in many areas (while in other areas the public hospitals are either city run or county run); public housing is provided through housing authorities; and small amounts of spending for recreation come from water districts.

Several adjustments must be made to the figures in Table B-1 in order to make them compatible with the other spending information used in this report. These figures include small amounts of state funds distributed to counties and municipalities; since these figures show up in Table 1 as state spending, they must be eliminated from the county and local expenditures figures. From the figures in Table B-1, then, we must subtract $6,501,000 in grants for education to municipalities and $6,000 to counties; $474,000 for welfare functions to municipalities and $14,202,000 to counties; $6,160,000 for health and hospitals to municipalities and $7,031,000 to counties; and $3,000 to municipalities for housing programs.

Two more adjustments are necessary. One is to adjust these figures to reflect spending in 1977-78, the fiscal year for which all other spending figures have been gathered. Obviously, the use of fiscal year 1977 data as proxies for spending *patterns* in fiscal year 1978 will cause some inaccuracies, though given the lack of other data these inaccuracies are unavoidable. However, because of inflation and population growth, the spending figures for 1976-77 are lower than those for 1977-78. To inflate FY 1977 figures to FY 1978 levels, I have used the annual reports published by the Bureau of Census, *Governmental Finances in 1977-78*, and the corresponding volume for 1976-77. These data are based on a sample of government districts and are therefore much less complete than the data in the 1977 *Census of Governments*; in addition, the

published information is substantially less detailed. However, the annual series do give total spending levels for local governments by functional categories, and I have used the ratio of spending in FY 1978 to FY 1977 to inflate the figures from Table B-1 to 1977-78 levels.

The final adjustment necessary is to estimate the proportion of total spending for children and youth; in general, I have used the same proportions for these estimates as those used for federal and state programs described in Appendix A.

The final results are shown in Table B-2, with functional categories corresponding to those used throughout this monograph. Spending for libraries is included with parks and recreational spending in a category labeled recreational/cultural. Obviously, this category dominates spending by municipalities for children and youth; spending by counties is concentrated in health, most of which goes for county hospitals; and spending by special districts is concentrated in health (again for hospitals) and in the income-support category for public housing.

This appendix was written by W. Norton Grubb.

C. Estimating Tax Expenditures for Children and Youth in Texas

The concept of tax expenditures requires some explanation, since it is an unfamiliar idea except to economists. The most obvious example in the area of children is the child care tax credit: every family using child care can reduce its personal income taxes by 20 percent of its child care cost (up to a maximum). In this way the federal government subsidizes child care, in the sense that it receives less tax revenue from those who use child care than it would in the absence of the child care tax credit. Therefore, direct appropriations for child care (through Title XX and Head Start, for example) and tax credits are alternative ways of subsidizing child care, each with costs to the federal government—though direct appropriations take the form of tax revenues which are then appropriated to child care, whereas tax expenditures take the form of revenues not collected.

For those who benefit from them, tax credits have the advantage over direct appropriations of being relatively invisible: tax expenditures are not regularly reviewed by appropriations committees; often the total value of tax expenditures is unknown; the purposes for which the funds are spent are not always clear; and there are no federal regulations to constrain the ways funds are spent. On the other hand, these characteristics of tax expenditures make them poor policy. In a large and complex tax system, the number and variety of tax expenditures have grown enormously over the years. Some tax expenditures are widely supported (like the deductions for charitable giving and home mortgage insurance), while some are nothing more than special interest legislation. But no matter how widely supported, the various credits, deductions, and exemptions allowed in the tax codes—both in the personal income tax and in the corporate and small business taxes—still constitute forms of expenditures in the sense of government revenues foregone.[1]

If identifying the variety of tax expenditures is difficult, estimating their magnitude from the information published by the Internal Revenue Service is more difficult still. Fortunately, the Congressional Budget Office (CBO) has begun to publish estimates of tax expenditures on a regular basis, as a way of identifying the sums involved and making explicit the hidden subsidies in tax legislation. The CBO figures are provided by the staffs of the Joint Committee on Taxation and the Department of the Treasury, and, whatever their inaccuracies, they are the best figures available. I have used these estimates for fiscal year 1978,[2] scaled down the national figures to reflect the tax expenditures which flow to Texans, and then estimated the fraction of these tax expenditures which benefit children and youth.

Given the variety of tax breaks, choosing those which can be said to benefit children and youth is difficult and unavoidably arbitrary. The only tax expenditure which unambiguously benefits children only is the child care tax credit. However, a variety of other tax expenditures are almost precisely analogous to appropriations which benefit children and youth, and I have chosen to include these. For example, tax breaks for the deductability of mortgage interest and property taxes on housing are analogous to appropriated expenditures for public housing; tax expenditures through the deductibility of medical costs are analogous to appropriated expenditures for Medicaid and other health programs; the earned income tax credit—which goes only to those wage earners with a dependent child under nineteen, a full-time student, or a disabled family member—is similar to Aid to Families with Dependent Children, which supports only those families which include children.

I have also included other less obvious tax expenditures. Several kinds of income are untaxed, including Social Security, unemployment insurance, and welfare benefits; the failure to tax these transfer payments constitutes a federal benefit, in the sense that the "normal" treatment of income—that is, the consideration of all income as taxable—would require higher benefit levels under Social Security, unemployment insurance, and welfare programs in order for families to be as well off as they are with the exemption of transfer payments. Finally, a standard exemption of $750 could be taken for every child in 1978, reducing taxes by amounts ranging from $105 for those in the

14 percent tax bracket to $525 for those in the highest bracket. (Those with very low incomes, who pay no taxes, receive no benefit from the exemption.) Exemptions have widely been considered necessary to achieve horizontal equity in the tax system; however, they are still federal subsidies to children, in the sense that the birth of every additional child decreases a family's taxes. I have therefore included the exemptions for dependent children among tax expenditures.

Table C-1 lists the different tax expenditures which I have considered beneficial to children and youth. The national figures taken from the CBO estimates are given in the first column. Tax expenditures for Texas are estimated by taking some appropriate fraction; for example, the proportion used for the exclusion of Social Security benefits is the proportion of national Social Security benefits for dependents and survivors which flow to Texas. Where such figures are unavailable, the Texas' fraction of total adjusted gross income—5.8 percent—was used. Finally, the total benefits for children and youth in Texas were estimated from the total Texas figures by using the same proportions of benefits flowing to children and youth as were used in Appendices A and B.[3]

The results of estimating tax expenditures for children and youth are surprising in at least two ways. First, the personal exemption for children is the largest single tax expenditure; it dwarfs those expenditures which have attracted much more atttention, such as the child care tax credit and the earned income tax credit. The other large subsidies through the tax system are those for housing and health; all others are relatively trivial.

Second, it becomes clear when we consider tax expenditures as well as direct appropriations that a large fraction of public spending for children and youth flows not to poor children but to middle-income and upper-income children. Tax expenditures through the personal exemptions are worth much more to upper-income families than to low-income families, for whom exemptions are worth precisely nothing; the subsidies for housing flow disproportionately to upper- and middle-income families, both because they are the only ones who can afford to own their homes and because the values of these deductions increase with one's income. For similar reasons, subsidies for health care through the personal income tax go disproportionately to upper-income families; the CBO has calculated that in 1978 fully 78 percent of this subsidy went to families with incomes over $15,000.[4] Even those tax subsidies which are theoretically availale to all tend to flow disproportionately to upper-income families. For example, the child care tax credit, which unlike deductions and exemptions is worth the same amount for families at all income levels (as long as they pay some tax), still tends to benefit high-income families; 67 percent of benefits in fiscal year 1977 flowed to families with incomes over $15,000.[5] Only tax benefits through employment programs, through the earned income tax credit, and through the exclusions of various forms of income—which amounted to 12 percent of total tax expenditures—flow to low- and moderate-income families.

This appendix was written by W. Norton Grubb.

Table C-1

Tax Expenditures for Children and Youth in Texas, FY 1978
(in millions of dollars)

	Total, U.S.	*Total, Texas*	*Allocated to Children/Youth*
Housing			
Deductibility of mortgage interest	4,985	289	117
Deductibility of property tax	4,665	271	110
Five-year amortization for housing rehabilitation	10	.6	.2
Education			
Exclusion of scholarship/fellowship income	295	17	8.3
Parental personal exemption for students	770	45	22
Employment programs[1]			
Credit for employment of AFDC recipients	15	1.2	.9
Jobs credit	2,460	192	78
Health			
Deductibility of medical expenses	2,435	141	41
Exclusion of employer contributions for medical insurance and medical care	6,340	368	108
Social services			
Child care tax credit	525	30	30
Income Support			
Exclusion of Social Security benefits for dependents/survivors	950	51	32
Exclusion of workman's compensation benefits	835	43	17
Exclusion of unemployment insurance benefits	1,200	25	10
Exclusion of public assistance benefits	345	3.4	2.5
Earned income credit[2]	1,138	91	37
Value of personal exemptions for children[3]	12,278	822.6	822.6
TOTAL			1,436.5

Notes: (1) These are tax expenditures through the corporate income tax; the assumption here is that these are passed on to job holders in the form of higher wages or training; (2) This is the only entry taken from the Commission of Internal Revenue, *1978 Annual Report*, table 10, p. 42; (3) Calculated from the Internal Revenue Service, *1978 Statistics of Income—Individual Income Tax Returns*, Washington, D.C., 1979 and 1981, table 2.10.

References

[1]In states with state personal and corporate income taxes, there are still other tax expenditures through the state tax codes. Since Texas does not have any income taxes, this is of no concern in this monograph. There are some tax expenditures of a sort generated by local property taxes; for example, church property and government property is tax exempt, and therefore local governments subsidize church-run services and state and federal programs through property taxes foregone. However, as distinct from federal tax expenditures—which are all legislated and therefore chosen—these exemptions from property taxes have been imposed on local governments. We have not included these exemptions through the property tax as tax expenditures.

[2]U.S., Congressional Budget Office, *Five Year Budget Projections, Fiscal Years 1979-83, Supplement on Tax Expenditures*, June 1978, table 3.

[3]The estimate of the value of personal exemptions requires more explanation. The IRS, *1978 Statistics of Income*, table 2.10, gives the total number of deductions for children living at home and children living away from home, at different levels of adjusted gross income (AGI). The total value of these exemptions is the number of the exemptions times $750 times the marginal tax rate for each AGI group. However, the *1978 Statistics of Income* did not publish tables on marginal tax rates; therefore, the average marginal tax rates by AGI group were calculated from the *1977 Statistics of Income*, table 3.6. The use of the 1977 figures should be relatively accurate because the structure of marginal rates did not change between the two years, and because the only necessary assumption is that the pattern of deductions—which causes differences in the marginal tax rates paid by taxpayers with the same AGI—stayed the same between 1977 and 1978. Finally, Texas benefited from 6.7 percent of all exemptions for children at home and away, as reported in the *1978 Statistics of Income*, table 5.4; although the distribution of Texas returns cross AGI classes is slightly different from the national average—and therefore the marginal tax rates which Texans pay are different and the value of exemptions for children is different—the difference is too small to change the estimates by more than a few percentage points.

[4]U.S., Congressional Budget Office, *Tax Subsidies for Medical Care: Current Policies and Possible Alternatives*, January 1980, table 3.

[5]U.S., Congressional Budget Office, *Childcare and Preschool: Options for Federal Support*, September 1978, table 10.

D. Estimating Private Philanthropy for Children and Youth in Texas

Some forms of private philanthropy are in every way equivalent to public programs: private philanthropy supports family planning, day care, mental health centers, recreation programs, education, and hospitals, just as public funds do. To determine the magnitude of programs provided to children by all "public" sources—that is, funded by sources other than parents—it is necessary to estimate the magnitude and pattern of philanthropic spending for children and youth. In addition, charitable spending has come to greater attention recently, as taxpayer revolts and the conservative mood of the country have started to reduce government funds for social programs. Many, including President Reagan, have suggested that the private sector—including private philanthropy—could and should take over the funding of social programs from public agencies. A second purpose for estimating philanthropic spending, then, is to compare private funds with public expenditures to see whether the private sector in Texas (or elsewhere) can realistically take over much of the responsibility from the public sector.

Estimating philanthropic spending is a notably slippery enterprise, since data reporting is incomplete and inconsistent. Our estimates of private charitable expenditures in Texas in 1978 have been derived from several sources. National estimates of private philanthropy developed by the American Association of Fund-Raising Counsel (AAFRC) are the main data about the amount of charitable activity and the areas of philanthropic concern in the nation. We used these national figures to estimate the scope and function of the private philanthropic sector in Texas, assuming that Texas philanthropy from individuals, corporations, and foundations followed roughly the same pattern as giving nationwide. While this method ignores patterns peculiar to Texas, we have every reason to believe that it offers a fair approximation of both the level and the composition of charitable activity in the state.

Philanthropy takes several forms—individual gifts and bequests, foundation grants, corporate contributions, free technical and professional assistance, use of facilities, and volunteer time. Information in each of these areas varies. For individual giving, itemized tax returns allow relatively easy access to information on charitable contributions, though a significant portion of charitable contributions comes from nonitemizers. Therefore, in estimating the total individual donations in Texas, we have relied on estimates by the American Association of Fund-Raising Counsel as well as on Internal Revenue Service data. In the case of foundations, we used the *National Data Book*, 5th edition, published by the Foundation Center (1981), which has a complete listing of grants made by U.S. foundations. For corporate contributions, we have had to rely entirely on the Conference Board's *Annual Survey of Corporate Contributions* (also used by the AAFRC) to estimate Texas corporate contributions. While national percentages available from the *Survey* are detailed by functions, unfortunately no comparable estimates are available for Texas corporations. Information on volunteer time and in-kind purposes is almost nonexistent, and so we have included only money contributions in our report.

Table D-1 presents estimates of the sources of private philanthropy in the United States as a whole, along with the functions for which these funds are spent. Table D-2 presents estimates of sources of private giving in Texas, using methods described in the following sections and assuming that for corporations and bequests the national composition of private giving applies to Texas as well.

Individual Giving

The American Association of Fund-Raising Counsel reported that the nation's charitable organizations received a total of 39.63 billion dollars in contributions in 1978. Of the total, 32.80 billion dollars (or 82.8 percent) came from individuals, and another 2.60 billion dollars came in the form of bequests.[1] Contributions from individuals, either currently or through bequests, represent almost 90 percent of all charitable contributions.

The AAFRC bases its estimates on reports from key

Table D-1

Charitable Spending in the United States, 1978

1978 Contributions (in billions)		*Percentage of Total*
Individuals	$32.80	82.8
Bequests	2.60	6.6
Foundations	2.16	5.5
Corporations	2.07	5.2
TOTAL	$39.63	100.1
1978 Distribution (in billions)		
Religion	$18.45	46.6
Health and hospitals	5.48	13.8
Education	5.56	14.0
Social welfare	3.97	10.0
Arts and humanities	2.50	6.3
Civic/public	1.18	3.0
Other	2.54	6.4
TOTAL	$39.68	100.1

Source: American Association of Fund-Raising Counsel, Inc., *Giving, U.S.A., 1980 Annual Report* (New York: AAFRC, 1980), pp. 22-23.

Table D-2

Charitable Spending in Texas, 1978

1978 Contributions (in millions)		*Percentage of Total*
Individuals	$3,136.4	83.3
Bequests	249.5	6.6
Foundations	183.0	4.8
Corporations	198.5	5.3
TOTAL	$3,777.4	100.0
1978 Distribution (in millions)		
Religion	$1,760.3	46.6
Health and hospitals	521.3	13.8
Education	528.8	14.0
Social welfare	377.7	10.0
Arts and humanities	238.0	6.3
Civic/public	113.6	3.0
Other	241.6	6.4
TOTAL	$3,777.4	100.1

Note: Components do not sum to totals because of rounding error.

charitable organizations which "traditionally receive the greatest share of their support from individuals."[2] These include health agencies, religious groups (which receive nearly 50 percent of all contributions made by individuals), educational institutions, and social welfare organizations. While information is available from the Internal Revenue Service on charitable deductions by citizens who itemized their tax returns, a substantial (and increasing) portion of charitable donations comes from individuals who do not itemize. Several formulas for estimating charitable donations from nonitemizers have been suggested,[3] but the AAFRC estimates are widely accepted.

There were 89,771,554 returns filed across the nation in 1978, 25,756,298 of them itemized. Of those returns, 23,939,571 included a deduction for charitable contributions. Of the 5,348,615 Texas returns filed that year, 1,111,767 returns were itemized, and 958,964 Texans deducted for contributions to charity.[4] These contributions amounted to $1,179,896,000 or $1,230 per return. The U.S. amount per return for 1978 was $822. Therefore, in 1978 Texans gave an average of 1.496 times as much per return as the average U.S. itemizer.

Nonitemized giving can be roughly estimated as well. Nationally, individuals gave $32.80 billion to charity, and only $19.69 billion, or 60 percent, was accounted for on itemized tax returns.[5] Assuming that the $1,179,896,000 accounted for by itemizers represented only 60 percent of individual gifts in Texas, Texans contributed an additional $1,966,493,300 to charitable efforts. This brings the total individual giving estimate to $3,146,389,300 (see Table D-2).

In the United States as a whole, individual contributions were 82.8 percent of total giving, with bequests, foundations, and corporations donating 6.6 percent, 5.5 percent, and 5.2 percent respectively (see Table D-1). In Texas, however, individual contributions represented slightly more of the total, 83.3 percent, while gifts by Texas foundations made up a smaller proportion of the total.

Finally, if private philanthropy in Texas serves the same functions as national philanthropy, then the distribution of funds given in Table D-2 are the best estimates. In one respect these functional categories are misleading: contributions to religious organizations also support some nonreligious activities, such as education and welfare services. These expenditures will be further analyzed in section 4.

In developing estimates of Texas giving, one further

simplification is necessary. Texans make some contributions to out-of-state causes, and non-Texans contribute to Texas institutions and organizations. Since the magnitude of these "exports" and "imports" of charitable giving is impossible to estimate, we have assumed that exports equal imports, so that we need not explicitly consider them in determining private contributions which benefit children and youth in Texas.

Corporate Giving

In 1978 U.S. corporations contributed 2.07 billion dollars to charitable organizations and activities, or 5.2 percent of all charitable giving in the United States for that year (see Table D-1). Only 25 to 30 percent of the nation's corporations gave at all, and few even approached the 5 percent of pretax net income that could be deducted under the corporate income tax laws.[6] As Alan Pifer, president of the Carnegie Corporation, has estimated:

> If all corporations were to give away the full five percent of pre-tax net income they are allowed to deduct for tax purposes, their annual charitable donations today would total some $11.8 billion, a figure that would burgeon to $39 billion in the coming decade, assuming that corporate profits continued to mount at the same rate they have for the past decade.[7]

Unfortunately, it is highly unlikely that corporate contributions will ever approach that figure. With Reagan's tax reform act, corporations are now allowed to deduct up to 10 percent of their pretax net income. However, the New York Conference Board, in its annual survey of corporate contributions, asked whether contributors had set a contributions goal as a percentage of either domestic or worldwide pretax net income (PTNI). Well over 60 percent of the sample contributors reported giving less than one percent of PTNI, and 36 percent with domestic PTNI goals and 26 percent with worldwide PTNI contributions goals said they intended to stay *under* one percent of PTNI. The remainder claim they have target goals of between one and three percent.

The annual survey of corporate contributions conducted by the Conference Board revealed that in 1978 39.9 percent of the corporate contribution dollars went to health and welfare.[8] This category included all federated drives (most notably United Way), national health and welfare agencies, and hospitals and youth agencies. In addition, 37.05 percent of the total went to education, 10.15 percent to culture and art, 11.4 percent to civic activities, and 4.6 percent to a miscellaneous category that included gifts to religion and international affairs. The Conference Board survey provides a detailed breakdown of activities funded in each of these areas. Regrouping the various subcategories into the seven categories of Table D-3 is a relatively straightforward task. What the Conference Board survey called "health and welfare" is divided

Table D-3

Composition of National Contributions from Corporations and Texas Estimates, FY 1978

	National Corporate Contributions (percentage of total)	*Estimated Texas Corporate Contributions (in millions of dollars)*
Religion	.3	$ .6
Health and hospitals	8.8	17.5
Education	36.8	73.0
Social welfare	28.1	55.8
Arts and humanities	10.1	20.0
Civic activities	11.4	22.6
Other	4.3	8.5
TOTAL		$198.5

Source: Column 1: Kathryn Troy, *Annual Survey of Corporate Contributions, 1980 Edition*, New York, 1980.

Note: Percentages in Column 1 are applied to the total of $198.5 million from Table D-2; components do not sum to totals because of rounding error.

into "health and hospitals" and "social welfare." Gifts to religion are separated out from the "other" category, while "education", "arts and humanities", and "civic activities" are equivalent to the categories we have used elsewhere. These percentages were then applied to the Texas corporate contributions total to yield the estimates for Texas given in Table D-3. Though several activities included in arts and humanities, civic activities, and social welfare indirectly benefit children and youth, the only funds designated specifically for children and youth are support for precollege institutions (approximately 7.7 million dollars) and youth agencies (approximately 6.4 million dollars, primarily to such recreational organizations as Boys Clubs, Boy and Girl Scouts, and the YMCA). Of all corporate donations, 20.5 percent go to the federated drives, mainly the United Way; in Texas this represents 40.7 million dollars.

Though difficult to document, corporations also make substantial noncash contributions to charity in the form of technical assistance, volunteer time, the loan of equipment and facilities, and the holding of fund-raising events. In 1974, the Filer Commission estimated that corporations gave 1.25 billion dollars in cash contributions and another one billion dollars in "public service."[9] In 1978, Alan Pifer asserted that the estimated value of these noncash contributions reached at least two billion dollars,[10] above and beyond the 2.07 billion dollars paid directly. However, we have not included volunteer time and in-kind donations in our estimates of corporate contribution, since it is so difficult to determine what amounts and kinds of activities are supported by noncash contributions.

Foundation Giving

The nation's foundations contributed an estimated 2.16 billion dollars to charitable organizations in 1978,[11] representing 5.5 percent of all charitable giving in the United States. Texas foundation giving, on the other hand, accounted for only 4.8 percent of all charitable giving in the state. According to the *National Data Book*, compiled by the Foundation Center, 1,006 Texas foundations made grants totaling $153.9 million dollars in 1978.[12] This represents virtually all foundation grants given that year. Foundations also expend funds beyond direct grants, for administration, and this additional expense was estimated by taking the ratio of grants to expenditures for the largest 175 foundations and applying that proportion to the total grants made.[13] The total $183 million in foundation expenditures is reported in Table D-4.

Table D-5 presents the AAFRC estimates of foundation spending by functional categories during 1978. While it is important to keep this national distribution of funds in mind, we have estimated the distribution of foundation grants in Texas by examining grants given by the twenty-three largest foundations in Texas. In addition to reflecting Texas foundation trends more accurately, this detailed information on foundations in Texas enabled us to develop categories of philanthropic contributions consistent with the categories used for corporate and individual giving.

Grants reported by the top twenty-three Texas foundations amounted to $95.3 million,[14] or 61.9 percent of all grant dollars given in Texas in 1978. While this 62 percent does not fully describe foundation activity in Texas, it does constitute a large enough proportion to give us some idea of where foundation money goes in Texas. Of course, the major limitation of this sample is that it tells about large grant-making institutions only; the many other small foundations scattered across the state may fund very different types of projects—perhaps more innovative projects. Nevertheless, though approximately 87 percent of foundations in Texas were small, we have estimated that the grants made by this group accounted for only a little more than 14 percent of all grant dollars in that year.

The sample of twenty-three Texas foundations contributed approximately $95 million to a variety of organizations in 1978. Although examining this state level data may provide a more accurate assessment of philanthropic trends in Texas than simply applying national percentages to the state, this method is not without its limitations. Grants are reported for fiscal years 1977-78 as well as 1978-79; funding categories change from foundation to foundation; and some foundations provide a complete list of grants made during the year, while others only report a sample of grants, presumably representative of their grant behavior. Furthermore, some foundations limit their grant giving to Texas, while others fund national and international projects as well. Proceeding with caution, then, we found that grants were distributed across twenty-one categories in this sample, including an "other" category. These categories were collapsed in order to obtain the seven standard categories used throughout this analysis. Those categories and what they include can be found in Table D-4.

In this sample, education received the largest portion of Texas foundation money, and this category included grants made to both higher and secondary education. All but one of the foundations gave to education, and education grants ranged from 2 percent to 78 percent of grants made by individual foundations. Of those institutions which specified how much went

Table D-4

Estimated Texas Foundation Spending Distribution, 1978
(including grants and expenditures)

	Amount (in millions of dollars)	*Percentage of Total*
Religion	4.6	2.5
Health and hospitals	39.5	21.6
Education	67.7	37.0
Arts and humanities	15.6	8.5
Civic activities	20.7	11.3
Social welfare	22.0	12.0
Other	12.6	6.9

Source: Proportions derived from *The Foundation Center Source Book Profiles* (New York, 1979), applied to the total of $183.0 million from Table D-2. Grants only totaled $153.9 million.

Table D-5

Foundation Giving by Function for the United States, 1978

	Number of Grants	*Amounts (in millions of dollars)*	*Percentage of Total dollars*
Education	3,862	233	28
Health	2,372	162	20
Science and technology	2,633	141	17
Welfare	3,522	132	16
Humanities	1,666	87	11
International activities	890	49	6
Religion	452	16	2

Source: American Association of Fund-Raising Counsel, Inc., *Giving, U.S.A., 1980 Annual Report (New York: AAFRC, 1980), p. 15.*

to "secondary education" (five), the average gift equaled 12.4 percent of all grants they made. Nine foundations specified "higher education," and the average percentage of grants to this category was 37.7 percent. While a rather large proportion of foundation money went to education, the bulk of these "charity" dollars went to private schools and colleges, endowment, building funds, and scholarly research.

The area of "health and hospitals" received the second largest portion of Texas foundation money (21.6 percent), and grants ranged from 4 percent to 85 percent of total grant budgets. Typically, grants are made to hospitals for building improvements, renovation, and special equipment. Activities funded in this category also included planned parenthood organizations, drug abuse programs, medical research, and various associations organized around specific health problems (for example, the American Cancer Society, Muscular Dystrophy Association, American Heart Association, Epilepsy Association, and the Arthritis Foundation).

"Social welfare" received an average of 12.0 percent

of foundation grants in Texas. Grants in this category covered a variety of activities, including such social services as child care, counseling centers, and the Salvation Army but also many recreational programs, such as Scout groups, YWCAs and YMCAs. Also, some organizations, such as the Palmer Drug Abuse Program, were funded under "social welfare" by some foundations and under "health" by others. Civic activities, arts and humanities, and religion received an average of 11.3 percent, 8.5 percent, and 2.5 percent of Texas foundation grants respectively.

Philanthropic Expenditures by Religious Organizations

Table D-6 summarizes overall philanthropic activity in Texas, based on the estimates of the previous sections. In every category, gifts from individuals represent the largest share of support, particularly in the area of religion. Over 50 percent, or $1.7 billion, of all individual contributions in Texas go to religious organizations. Many congregations support social welfare activities in their communities, run adoption centers, senior citizen groups, and youth recreational activities and summer camps; it is difficult to sort out how much money and time is spent on these activities because access to church budgets is limited. The entry for "religion" in Table D-6 is therefore misleading since it includes a variety of health-related, educational, and social welfare spending in addition to purely sacramental activities.

The service agencies of various religions differ in their sources of funds. In the Jewish service agencies surveyed, for example, no significant support was provided by temples; 29.1 percent of their support came from individual gifts, 35.7 percent came from fees for service, and 28.9 percent from governmental payments.[15] In contrast, Catholic churches provided 12 percent of the funds to their related agencies. Individual gifts and bequests accounted for 4.4 percent and 2.3 percent respectively, government payments represented 7.0 percent of their support, and almost 64 percent came from service fees. Protestant service agencies received the bulk of their support from service fees, government and community grants, and individuals, and relatively little from Protestant churches themselves. Data on the Protestant organizations were not collected on a wide national basis but instead came from six regional and three national agencies. Still, the Interfaith Research Committee was able to estimate that 11.0 percent of support for Protestant-related agencies came from individuals and 72.7 percent from service fees.[16]

The activities of these service agencies is almost entirely nonsacramental and includes education, social welfare, and health-related programs. Of all nonsacramental expenditures in the Jewish agencies, 71.8 percent went for health. Another 22.7 percent was

Table D-6

Total Charitable Giving in Texas by Source and Function, 1978

	Total		*Individuals and Bequests*		*Foundation Expenditures (including grants)*		*Corporations*	
	%	*$ mill.*	%	*$ mill.*	%	*$ mill.*	%	*$ mill.*
Religion*	46.6	1,760.2	51.6	1,755.0	2.5	4.6	.3	.6
Health and hospitals	13.8	521.3	13.7	464.3	21.6	39.5	8.8	17.5
Education	14.0	528.8	11.4	388.1	37.0	67.7	36.8	73.0
Social welfare	10.0	377.7	8.8	299.9	12.0	22.0	18.1	55.8
Arts and humanities	6.3	238.0	6.0	202.4	8.5	15.6	10.1	20.0
Civic/public	3.0	113.3	2.1	70.0	11.3	20.7	11.4	22.6
Other	6.4	241.7	6.5	220.6	6.9	12.6	4.3	8.5
TOTAL		3,777.4		3,395.9		183.0		198.5

*Includes some nonsacramental functions.

Note: Components do not sum to totals because of rounding error.

spent on social welfare activities, and 4.1 percent supported education. The Catholic expenditures were almost evenly divided between health and education, 43.8 percent and 49.7 percent respectively. Social welfare accounted for another 5.3 percent. The Protestant agencies, on the other hand, appeared to spend most of their funds (42.6 percent) on social welfare programs, with 23.9 percent for education and 16.7 percent for health. The total nonsacramental expenditures for religious-related agencies was approximately $7.1 billion in 1978. These funds are included in Table D-6 in the appropriate nonreligious categories, and no further correction is necessary.[17]

However, churches and synagogues—as distinct from related service agencies—themselves spent about $2.2 billion on nonsacramental activities,[18] and these funds should be reallocated from the category of "religion" to the appropriate nonreligious functions. These $2.2 billion constituted 19.3 percent of the $11.39 billion that the Interfaith Research Committee estimated was given to religious institutions. (This figure is relatively close to the estimate of $10.02 billion that *Giving, U.S.A.* estimated for religious contributions in 1972.) Assuming that this proportion can be applied to Texas, then 19.3 percent of $1,755.0 million (or $338.7 million) reported in Table D-6 must be reallocated to other categories. Of the total $2.2 billion nationwide, 13.3 percent went to the health field, 20.8 percent to social welfare, 37.6 percent to education (excluding the Catholic educational system, which is included in the religious-related figures), 22.5 percent to community-wide activities, 3.0 percent to public affairs, 2.6 percent to cultural programs, and 0.2 percent to environmental activities,[19] and we must also assume that these proportions apply to Texas as well.

The categories used to describe the expenditures of all three faiths are, of course, composites of many activities. With the exception of "community-wide activities" they are, however, clearly delimited. "Community activities" ranged from social welfare programs to recreation. Among the many functions included in this heading were aid to visiting nurses, meals on wheels, senior centers, neighborhood organizations, job location for minorities, children's home care programs, and information and referral services. It seems most appropriate to allocate these funds to the social welfare category.

Finally, it seems reasonable to assume that all foundation and corporate giving to religious institutions went to nonsacramental functions as well. Reallocating $338.7 million of individual giving to religion and all foundation and corporate giving to the appropriate nonreligious categories yields the revised estimates in Table D-7. Evidently, reallocating nonsacramental spending by churches and synagogues adds significantly to the expenditures for health, education, and social welfare.

Table D-7

Total Charitable Giving in Texas by Source and Function, 1978

	Total		*Individuals and Bequests*		*Foundation Expenditures (including grants)*		*Corporations*	
	%	*$ mill.*	%	*$ mill.*	%	*$ mill.*	%	*$ mill.*
Religion*	37.5	1,416.3	41.7	1,416.3	0	0	0	0
Health and hospitals	15.0	567.0	15.0	509.3	22.0	40.1	8.9	17.6
Education	17.4	658.1	15.2	515.5	38.0	69.4	37.0	73.2
Social welfare	13.9	526.7	13.1	446.6	13.1	24.0	28.3	56.1
Arts and humanities	6.5	246.9	6.2	211.2	8.6	15.7	10.1	20.0
Civic/public	3.3	123.6	2.4	78.2	11.4	20.8	11.4	22.6
Other	6.4	242.4	6.5	221.3	6.9	12.6	4.3	8.5
TOTAL		3,777.4		3,395.9		183.0		198.0

*Excludes all nonsacramental functions.

Note: Components do not sum to totals because of rounding error.

Table D-8

Federal Tax Expenditures for Texas Charitable Contributions by Source and Function
(in millions of dollars)

	Total	*Individuals*	*Bequests*	*Foundations*	*Corporations*
Religion*	256.0	222.3	33.7	0	0
Health and hospitals	112.9	74.4	12.0	18.4	8.1
Education	127.4	49.7	12.1	31.9	33.7
Social welfare	117.2	69.8	10.6	11.0	25.8
Arts and humanities	54.3	32.9	5.0	7.2	9.2
Civic/public	34.0	12.2	1.8	9.6	10.4
Other	49.3	34.4	5.2	5.8	3.9
TOTAL	751.1	495.7	80.4	83.9	91.1

*Excludes all sacramental functions.

Charitable Spending for Children and Youth

Table D-7 summarizes the estimates described in the previous sections. Several adjustments to these figures are now necessary. The first of these, consistent with our efforts in Appendix C to estimate tax expenditures for children, recognizes that charitable contributions are deductible for individuals (at least for those who itemize), for bequests, and for corporations. Therefore, some fraction of most charitable contributions comes in the final analysis not from individuals and corporations but from the federal government as another kind of tax expenditure. The first adjustment is to determine the fraction of total funds in Table D-7 which are effectively tax exemptions rather than true contributions by corporations and individuals.

For individuals, the Congressional Budget Office has estimated the tax expenditures due to charitable contributions for health, for education, and for all other functions.[20] In taxable year 1978, Texas accoounted for about 6 percent of all contributions deducted in the United States, but the marginal tax rate paid in Texas was slightly higher than the average and so the value of contributions to Texans somewhat greater.[21] On the basis of higher marginal tax rates, we estimate that 8.5 percent of all federal tax expenditures for contributions went to Texans, and these proportions of the CBO estimates have been included in Table D-8.

For bequests, the marginal tax rate paid for estate taxes is approximately 35.5 percent on the average,[22] and so we have assumed that the reduced tax associated with charitable contributions is 35.5 percent of the total contribution. For corporations subject to a 46 percent marginal tax rate, their taxes are reduced by 46 percent of their charitable contributions, and we have used this proportion as an estimate of the federal tax expenditures for corporate giving.

The federal tax expenditures associated with giving by foundations is more controversial to calculate. Foundations in this country are exempt from taxation, except that the 1969 Tax Reform Act imposed a 4 percent tax on all investment income and required that foundations distribute at least 6 percent of their earnings.[23] Foundations are therefore anomalies: if capital were retained by individuals rather than transferred to a foundation, contributions to charity would generate a tax expenditure of the individual's marginal tax rate times the amount donated; if capital were retained by a corporation, the tax expenditures would be 46 percent of contributions. To be sure, if foundations were taxed as corporations, those which paid all their earnings in grants to tax-exempt organizations would still pay no tax, since such contributions would be deductible. Thus two special provisions apply to the grants which foundations make: the tax-exempt status of foundations, and the deductibility of charitable contributions. If both these preferential provisions were eliminated, then foundations would pay federal taxes which they are currently forgiven; if foundations were treated as corporations, the tax

would amount at the margin to 46 percent of their charitable contributions. Since the basic concept of a tax expenditure is that of a revenue loss resulting from special provisions and exclusions,[24] we have considered 46 percent of foundation giving as a federal tax expenditure.

The various tax expenditures are summarized in Table D-8. Comparing Tables D-7 and D-8, we find that 19.9 percent of all charitable giving in Texas was in fact contributed by the federal government through tax expenditures; furthermore, most tax expenditures—66 percent—came through the personal income tax.

It remains now to estimate spending specifically on children and youth, in the functional categories we have used elsewhere to describe public spending for children and youth. With two exceptions, the categories in Table D-7 have unambiguous counterparts in the functional categories of Table D-9. Spending for arts and humanities and civic/public purposes have all been placed in the recreational/cultural category. However, social welfare and "other" spending are difficult to categorize. A large fraction of social welfare spending—about 33 percent in 1978—came from United Way agencies, which in turn support a variety of social services, such as family planning, some day care schools, mental health programs, some income-support programs (e.g., the Salvation Army), some health-related activities (e.g., the American Red Cross), and a large number of recreational activities, such as Boy Scouts and Girl Scouts, YMCAs and YWCAs. Since the best estimates of the composition of total social welfare spending are the estimates of United Way spending patterns in Texas, we have used these figures to allocate the social welfare spending figure of $526.7 million.[25] Finally, "other" spending includes "foreign aid and technical assistance, international activities, education and studies, and foundation endowment";[26] since none of these directly benefit children and youth in Texas, they have not been included in Table D-9.

Unfortunately, the data on charitable giving fail to specify the age groups on whom charitable funds are spent, and therefore it proves necessary to introduce yet another set of assumptions. It seems reasonable to allocate spending for religion, arts and humanities, and civic/public funding to children and youth on the basis of their representation in the Texas population. For social welfare spending, one rule of thumb in the literature is that about one-third of such projects go to children, one-third to the elderly, and one-third to such special populations as the handicapped; this estimate is close to the proportion in the Texas popu-

Table D-9

Charitable Spending for Children and Youth in Texas, FY 1978
(in millions of dollars)

	Total Spending	*Federal Tax Expenditures*	*Other Expenditures*
Education	658.1	127.4	530.7
Health and hospitals	115.2	23.9	91.3
Income support	12.8	2.8	10.0
Food	•	•	
Social services	42.9	9.6	33.3
Day care	39.7	8.8	30.9
Justice	•	•	
Employment	•	•	
Recreation/cultural	222.7	51.9	170.8
Psychological services	11.5	2.5	9.0
Religion*	573.2	103.6	469.6
TOTAL	1,676.1	330.5	1,345.6

*The "religion" category excludes sacramental functions. Minor amounts of spending on food programs show up in income support; minor amounts spent on justice and employment are included in social services.

lation—which was 40.47 percent in 1978—and so we have again used the population percentage. All education spending is allocated to children and youth, since the vast majority of this spending goes to elementary, secondary, and higher education, rather than to adult education in any form. This leaves spending for health and hospitals. Most of the spending in the health and hospital category appears to go to hospitals; since those twenty-one and under used 13.0 percent of days of hospital care in 1978, 13 percent of the total amount of $515.1 million has been allocated to children. However, the health-related spending in the category of social welfare—which amounts to a substantial $153 million—seems to support clinics and other shorter-term health care; since children and youth accounted for 29.4 percent of physician visits, this fraction of spending has been allocated to children and youth.[37]

The final results in Table D-9 show how heavily concentrated charitable spending for children and youth are in three categories—education, reflecting large giving for private schools and higher education; religion; and the recreation/cultural category, reflecting large sums given for programs like scouting. Health programs also receive substantial sums. In contrast, although other kinds of programs for children and youth [like social services] may be highly visible, they receive rather trivial proportions of total charitable spending.

Researched and largely written by Christine Galavotti. A longer version is available from W. Norton Grubb.

References

[1]American Association of Fund-Raising Counsel, Inc., *Giving, U.S.A., 1980 Annual Report* (New York: AAFRC, 1980), p. 22.

[2]American Association of Fund-Raising Counsel, Inc., *Giving, U.S.A., 1979 Annual Report* (New York: AAFRC, 1979), p. 7.

[3]A 1979 survey conducted for the Coalition of National Voluntary Organizations by the Gallup Organization showed that those in any given income bracket who itemize their tax returns give substantially more than nonitemizers. On the average those who itemize give more than three times as much as those who take the standard deductions. (Source: *Giving, U.S.A., 1979*, p. 12). See also Ralph L. Nelson, "A Note on the Estimation of Personal Giving" (1975), in the Commission on Private Philanthropy and Public Needs, *Research Papers*, vol. 3, *Special Behavioral Studies, Foundations, and Corporations*, (Washington, D.C.: U.S. Department of the Treasury, 1977), pp. 1501.ff.

[4]Internal Revenue Service, *1978 Statistics of Income: Individual Income Tax Returns* (Washington, D.C., 1981), pp. 134-35.

[5]*Giving, U.S.A., 1980 Annual Report*, p. 12.

[6]Kathryn Troy, *Annual Survey of Corporate Contributions, 1980 Edition* (New York: Conference Board, 1980), p. 3.

[7]Alan Pifer, "The Role of Philanthropy in Meeting the Nation's Social Challenges," address given at the Second Robert Lee Sutherland Seminar, University of Texas at Austin, October 3, 1980, pp. 18-19.

[8]*Giving, U.S.A., 1980 Annual Report*, p. 18. (See Table D-3 for details.)

[9]Commission on Private Philanthropy and Public Needs, *Research Papers*, vol. 3, p. 1741 (see also pp. 1762, 1864, and 1875).

[10]Pifer, "Philanthropy," p. 20.

[11]*Giving, U.S.A. 1980 Annual Report*, p. 14.

[12]*The National Data Book*, 5th ed., (New York: The Foundation Center, 1981), p. xi.

[13]U.S., Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States*, 101st ed. (Washington, D.C., 1980), p. 364. Large institutions are defined as those having assets of over $1 million or making grants of at least $100,000 in 1978.

[14]Funding Information Library, Minnie Piper Stevens Foundation, San Antonio, Texas.

[15]Interfaith Research Committee of the Commission on Private Philanthropy and Public Needs, *A Study of Religious Receipts and Expenditures in the United States. Research Papers*, vol. 1; *History, Trends, and Magnitudes* (Washington, D.C.: U.S. Department of the Treasury, 1977), pp. 365-450.

[16]Ibid., p. 372.

[17]Ibid., pp. 372, 374. One small exception is that the funds from Catholic churches to related agencies may be double-counted in Table D-6, but this is a relatively minimal amount.

[18]Ibid., p. 377.

[19]Ibid.

[20]U.S., Congressional Budget Office, *Five-Year Budget Projections: Fiscal Years 1979-83, Supplement on Tax Expenditures*. June 1978, table 3, pp. 18-19.

[21]Internal Revenue Service, *1978 Statistics of Income: Individual Income Tax Returns*, tables 5.2, 5.5.

[22]Internal Revenue Service, *Estate Tax Returns: Statistics of Income, 1974* (Washington, D.C.: U.S. Government Printing Office, 1977); see also table 22-2 in Richard Musgrave and Peggy Musgrave, *Public Finance in Theory and Practice*, 3rd ed. (New York: McGraw-Hill, 1980), p. 499.

[23]See "Private Foundations and the 1969 Tax Reform Act," in Commission on Private Philanthropy and Public Needs, *Research Papers*, vol. 3, pp. 1557-678.

[24]U.S., Congressional Budget Office, *Budget Projections*, pp. 1-2. However, CBO has not included foundation giving among its tax expenditures, and the view that foundation grants are in part public funds has always been strenuously resisted by foundations themselves.

[25]Figures on per capita allocations to different kinds of agencies and services are available from the United Way of Texas, only for thirty largest United Ways. Although these figures may not be representative of small United Ways, the large agencies account for an overwhelming proportion of all United Way giving.

[26]*Giving, U.S.A., 1980 Annual Report*, p. 7.

[27]Data on hospital stays comes from the National Center for Health Statistics (NCHS), *Utilization of Short-Stay Hospitals, Annual Summary for the U.S., 1978*, table 2. Data on physician visits is taken from NCHS, *The National Ambulatory Medical Care Survey, 1977 Summary*, table A.